Ministry of Finance, the Economy & Investment
The role of the Corporate Services Directorate (CSD) is that of providing essential support services to the Ministry and to its departments, entities and divisions.

The core functions are:

- Finance (accounts, procurement and asset management);
- Office Management;
- Human Resources;
- Registry;
- Parliamentary Questions.

During the year under review, with the introduction of the Financial Administration and Audit Act, the CSD administered the Ministry’s Departmental Contracts Committee.

**FINANCE**

During 2010, the Finance Section continued to provide operational support to Director Corporate Services on all matters related to finance administration concerning the Ministry of Finance, the Economy and Investment (MFEI). The Finance section was responsible for the administration of funds provided under Recurrent Vote 29 – MFEI, which included the cost centre of the Parliamentary Secretariat. This section was also responsible for the management of funding of capital projects and collection of revenue included under the Financial Estimates of MFEI.

The Section was involved in the procurement of goods and services, from the initial stage of the raising of commitments up to the settlement of invoices within a reasonable period of time through the Departmental Accounting System. During 2010, the total number of transactions effected on the DAS was 10,200. During the year, the Finance Section also managed requests submitted by public entities for the release of approved Capital and Recurrent budgetary subventions and other allocations. These entities included FinanceMalta Foundation, Privatisation Unit, Malta Statistics Authority, Financial Intelligence Analysis Unit, Malta National Laboratory, Financial Services Tribunal, Malta Enterprise, Collective Bargaining Unit, Malta Film Commission, Malta Air Traffic Services, Gozo Ferries Ltd, MGI/MIMCOL and Malta Industrial Parks.

The Section was also involved in:
- providing assistance in the preparation of travel documents required by the Ministry’s officials when travelling abroad on official business, including the issuing of 307 travel advances to said officials;
- submission of financial statements including monthly Re-assessment of Budgetary Estimates, monthly cash flow projections and quarterly financial statements on accruals basis;
- compilation of financial information related to the drafting of replies to parliamentary questions;
- co-ordination of replies by the Ministry and its Departments to several requests and queries by the National Audit Office and the Treasury Department;
- submission of quarterly statements to VAT Department with list of suppliers who failed to submit fiscal receipts for goods and services procured by the Ministry;
- assisting the National Lotteries Good Causes Advisory Board in the financial administration and operations of the Good Causes Fund including issuing of cheques to beneficiaries of the fund. During the year, 283 cheques were issued to various beneficiaries;
• supporting Director General (Budget Affairs) in the issuing of new Government Guarantees/Letters of Comfort on domestic/foreign loans and other banking facilities granted to public entities, the renewal of old ones and the compilation of a quarterly report. During 2010, 12 new guarantees/letters of comfort were issued, whereas 13 old ones were extended for a further period of one year;
• assisting Director General (Budget Affairs) in the verification of requests by government ministries to open bank and below-the-line accounts. During 2010 the Ministry received 38 requests for the opening of a bank account that were all considered positively. During the same year, the Ministry received 24 requests for the opening of a below-the-line account, of which six were rejected;
• the maintenance and updating of a database on government direct and indirect shareholding.

Office Management

Apart from this branch’s ongoing maintenance programme, refurbishment of newly acquired premises along Old Mint Street was completed. These works included the Ministry’s new library. Reception facilities were introduced, registering incoming mail and controlling visitors to the building. A CCTV system, providing surveillance of the building’s periphery as well as internal circulation of common areas, was implemented. Similarly, a limited access system was introduced. Existing maintenance agreements were renewed. A tender for cleaning services for part of the building was awarded. An energy audit of the entire Ministry was carried out. The report and its recommendations are still awaited.

Human Resources

As in previous years, this Section processed the recruitment, appointment, progression and promotion of several personnel in various grades throughout the whole Ministry. Five circulars were issued to fill 11 positions of Assistant Director in departments within the Ministry’s portfolio. Public calls for applications filled various posts and contractual positions at middle and senior management level to enhance the Ministry’s needs and operations. Renewals of contracts were drawn up as necessary for the Private Secretariat staff of the Minister and the Parliamentary Secretary.

During 2010, the Human Resources Section continued with the preparation and payment of the four-weekly salaries of staff at the Ministry, including the two Private Secretariats, as well as the Economic Policy Department and Lotto staff. Constant monitoring of the Personal Emoluments, particularly the allowances and overtime items, was maintained throughout the year.

Registry

The Registry continued to provide the core service of recording and tracking all incoming correspondence with the following statistics:

<table>
<thead>
<tr>
<th>Description</th>
<th>Figures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Correspondence registered on DOCREG system</td>
<td>5,187</td>
</tr>
<tr>
<td>New MF files</td>
<td>486</td>
</tr>
<tr>
<td>New EU</td>
<td>221</td>
</tr>
<tr>
<td>Parliamentary Questions</td>
<td>1,953</td>
</tr>
<tr>
<td>Publication of MF/HR circulars</td>
<td>12/5</td>
</tr>
</tbody>
</table>

It was planned that Registry staff begin to administer the Ministry’s inventory.

ANTHONY SAVONA
Director (Corporate Services)
EU Affairs Directorate

BACKGROUND

The EU Affairs Directorate is responsible for the co-ordination of all EU-related issues falling within the remit of the Ministry of Finance, the Economy and Investment. One of its main tasks is to co-ordinate the drawing up of a national position in preparation for meetings taking place within the EU institutions (the European Commission, the Council of the EU and the European Parliament, but also European committees such as the Economic and Social Committee and the Committee of Regions). The Directorate’s responsibilities include the dissemination of meeting agendas and documentation, co-ordination of attendance of officials at the EU-related meetings and the drawing up and clearance of instruction notes used by the technical officials and attachés participating in the same meetings. Malta’s position is drawn up in consultation with the technical experts from both the public and the private sector. The Directorate provides support to the Ministry’s departments in areas relating to the EU. The Directorate is also responsible for the drafting of letters in reply to infringements cases opened by the EU Commission against Malta and is also the contact point within the Ministry for the notification of Maltese legislation to the EU Commission.

Progress Achieved in 2010

In early 2010, the European Union faced a fresh economic crisis requiring a quick and timely response. Throughout the crisis, the EU Directorate provided support to the high-level officials attending the meetings taking place at the European level. The Directorate was also responsible for the preparation of briefing material for the ministerial delegations attending the Eurogroup, ECOFIN, Competitiveness and Trade Council 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 representations in order to brief them on the position that Malta intended to take during the Council meetings. These briefings form part of the negotiation process and help Member States discuss common positions with a view to reaching agreement on EU proposals.

One of the main responsibilities of the Directorate was to co-ordinate the consultation process on proposals submitted by the Commission. Malta’s position is drawn up in consultation with both internal and external entities. 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). It also assisted MEUSAC in setting up consultation meetings with the MEUSAC Core Group and its sub-committees. Apart from preparing for Council meetings, the EU Affairs Directorate was also involved in the preparations to welcome visiting foreign dignitaries. The Directorate was also involved in the preparation of briefing notes for the President’s and the Prime Minister’s meetings held in Malta and abroad.

DIANE SAMMUT
Director (EU Affairs)
The Programme Implementation Directorate (DPI) 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 co-ordinates and monitors EU funded projects implemented by the Ministry’s entities and co-ordinates the appointments on Boards and Committees that fall under the Ministry’s remit. The Conference Incentive Fund is also co-ordinated from within the Directorate.

EU Funded Projects

The Directorate acts as a liaison between project leaders, the Planning and Priorities Co-ordination 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.

During the year under review, the Directorate continued the work to successfully close projects funded under the 2004-2006 programming period. It also co-ordinated and monitored several projects funded under the 2007-2013 programming period that included 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 afforded in the implementation of the seven aid schemes for industries managed by Malta Enterprise.

During the period under review, the Programme Implementation Directorate co-ordinated the launching of the JEREMIE initiative in Malta. This initiative is a joint initiative between the European Commission (EC), the European Investment Bank (EIB) and the European Investment Fund (EIF), that is intended to improve SMEs’ access to finance. JEREMIE enables Member States to use Structural Funds to set up financial engineering instruments designed to support micro and SMEs.

The funding agreement with EIF was signed in March 2010 and subsequently, in April 2010, the €10 million that were allocated to this initiative were transferred to the holding fund within EIB. The JEREMIE Investment Board was subsequently appointed in May 2010 and held its first meeting in June 2010. After several meetings and consultations between the JEREMIE Investment Board and EIF, the Call for Expression of Interest for Financial Intermediaries was launched in September 2010 and closed in November 2010. Evaluation started soon after and the relative financial instruments are expected to be launched on the local market some time in the first or second quarter of 2011.

Following the transfer of Enemalta and the Water Services Corporation to the MFEI portfolio in February 2010, several EU funded projects were transferred as well. In this sense, substantial work was carried out on the final stages of implementation of a project funded from the EU Cohesion Fund and that is being implemented by the WSC. This project, with a value of €70 million, consisted in the construction of a new urban Wastewater treatment plant at Ta’ Barkat, a new Wastewater pumping station at Rinella,
upgrading of the existing Xghajra pumping station, a new Wastewater gallery and a submarine outfall. The proposed infrastructure will complete the interventions foreseen in the Sewage Master Plan and will cover the remaining wastewater that is currently being discharged untreated at sea.

An EU funded project that was funded under the 2004-2006 programming period was also wrapped up during the period under review. This project consisted of obtaining technical assistance to formulate a stormwater masterplan towards the sustainable management of stormwater and was implemented by the Water Services Corporation.

The year also saw the launching and award of a tender to procure an HVAC submarine electrical interconnector between Malta and Sicily, a project that is being implemented by the Enemalta Corporation. This interconnector is partially funded from the European Energy Programme for Recovery (EEPR).

**Freedom of Information**

The DPI is entrusted with the implementation of the provisions emanating from the Freedom of Information Act (Cap. 496). One of the obligations emanating from article 17(1) of this Act states that every relevant public authority shall publish information describing the authority’s structure, functions and responsibilities together with a general description of the categories of documents held and a description of all manuals and similar types of documents which contain policies, principles, rules or guidelines in accordance with which decisions or recommendations are made in respect of members of the public. This information was duly published on the Ministry website. Furthermore the Programme Implementation Director was nominated as the Ministry’s Principal Freedom of Information Officer (PFOIO) and alternate Freedom of Information Officers and Freedom of Information focal points, were also appointed ministry-wide.

**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. Furthermore this Directorate also receives SOLVIT queries through the Department of Trade. No complaints were received from the Ombudsman’s office during the period under review.

The following table shows the number of cases which were received by the Directorate through the various channels available to the public.

<table>
<thead>
<tr>
<th>Customer Care Issues – 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clearance House/Local Council</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

**Boards and Committees**

The DPI co-ordinates the appointments of boards and committees that fall under this Ministry’s portfolio. This work is carried out in co-ordination 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**

This 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.
This Office is in constant contact with MRRA and implements any measures that arise out of meetings and conferences. These guidelines are also transmitted to the other departments and entities through the network of focal points on green issues.

In 2010, this Office collaborated with the MRRA in the walk-through energy audits at both the Ministry and its departments.

**Gender Issues**

Throughout 2010, this Office attended meetings organised by the NCPE. The outcomes of these meetings were divulged to other staff at the Ministry through the network of focal points on gender issues at the other entities and departments.

**Conference Incentive Fund**

The Conference Incentive Fund was launched in mid-2009 and this initiative was co-ordinated and implemented by the Programme Implementation Directorate. This new initiative assisted departments, ministries, entities and NGOs in the bidding, organising and hosting of international conferences in Malta. In the period under review, 18 conferences were partially funded for a total of €243,375. These conferences brought over around 4,000 delegates for a total of around 67 conference days. Commitments were also made to sponsor several conferences that will take place in 2011 and 2012.

**Representation on Boards**

The DPI through the Director participated in a number of boards during the year under review. These included the board of the Grand Harbour Regeneration Corporation, 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

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 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

- To perform the duties of the Paying/Certifying Authority for Structural and Cohesion Funds;
- To perform the duties of the National Authorising Officer for Malta and be responsible for the management of the National Fund;
- To 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;
- To control and report on a regular basis the financial position of the funds and relative disbursements;
- To liaise with the DG Budget on the payment and financial management of EU Own Resources;
- To compile and maintain proper records of ex-ante, interim and ex-post inspections by third parties;
- To perform on-the-spot checks on the stakeholders involved in the implementation of EU-Funded projects;
- To monitor the work of the Treasury and Contracts Department, which together are equivalent to the Central Financing and Contracting Unit (CFCU);
- To 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;
- To manage the EU Travel Envelope regarding Malta’s participation in EU Council and Commission meetings;
- To manage and process funds related to other EU Initiatives and Programmes.

Work Report for 2010

Pre-Accession and Transition Facility Funding

The Director EU Paying Authority is also vested with the responsibility of National Authorising Officer (NAO) 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 National Authorising Officer 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 2010, 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 2011 both programmes will be closed. Moreover, the NAO ensured that the deadline of 15 June 2010 in relation to the payment deadline for the Transition Facility for 2006 was attained successfully.

The National Authorising Officer (NAO) was also involved in the following:

- 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 2010 to finance projects under TF 2006 Programme still open, added up to €622,492. Following authorisation of payments according to expenditure effected at project level, €1,464,868 was actually transferred to Government Revenue. Detailed information is included in the following table:

<table>
<thead>
<tr>
<th>Programme</th>
<th>Funds transferred to Government Revenue</th>
<th>Funds received from Commission</th>
</tr>
</thead>
<tbody>
<tr>
<td>TF 2006</td>
<td>€1,464,867.79</td>
<td>€622,492.20</td>
</tr>
</tbody>
</table>

**Structural and Cohesion Funds**

The Directorate also had the role of Paying Authority (PA) for Structural and Cohesion Funds and during 2010 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 2010, the Directorate performed a total of 13 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 six certifications under Structural Funds for 2004-06 and seven certifications under Structural Funds for 2007-13. All the said certifications were accepted by the Commission and the relative funds transferred to Government Revenue.

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.

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 highlights the aggregate amount to date of Structural and Cohesion Funds certified and received per fund for the 2004-2006 Programme amounting to €77,964,002. An additional amount of €6,452,259.01 is expected to be received during 2011, once the closure documents are cleared by the EU Commission. The global average absorption rate to date for all funds is over 98.02%. It is of utmost importance to note that the Cohesion Fund projects are still being implemented and these are expected to be completed by 2011. Closure will follow in 2012.

### Structural & Cohesion Funds 2004-2006 (overall to date)

<table>
<thead>
<tr>
<th>Fund</th>
<th>Allocation €</th>
<th>Certified and received €</th>
</tr>
</thead>
<tbody>
<tr>
<td>ERDF</td>
<td>46,697,639</td>
<td>44,362,757.05</td>
</tr>
<tr>
<td>ESF</td>
<td>9,457,500</td>
<td>8,984,625.00</td>
</tr>
<tr>
<td>EQUAL</td>
<td>1,241,163</td>
<td>1,179,103.58</td>
</tr>
<tr>
<td>FIFG</td>
<td>2,837,500</td>
<td>2,695,625.00</td>
</tr>
<tr>
<td>EAGGF</td>
<td>4,200,000</td>
<td>3,990,000.00</td>
</tr>
<tr>
<td>Total</td>
<td>64,433,802</td>
<td>61,212,110.63</td>
</tr>
</tbody>
</table>

Cohesion Fund: 21,966,289

Total: 86,400,091

Moreover, as per table below for the 2007-2013 Financial Period, a total amount of €120,606,240 were certified and transferred to Government Revenue during 2010, under the various Operational Programmes (OP) and Funds.

### Structural & Cohesion Funds 2007-2013 (overall to date)

<table>
<thead>
<tr>
<th>Fund</th>
<th>Allocation €</th>
<th>Certified and transferred to revenue €</th>
</tr>
</thead>
<tbody>
<tr>
<td>OPI</td>
<td>443,978,031</td>
<td>47,497,078.49</td>
</tr>
<tr>
<td>OPII</td>
<td>112,000,000</td>
<td>9,810,676.51</td>
</tr>
<tr>
<td>Cohesion Fund</td>
<td>284,145,020</td>
<td>63,298,484.66</td>
</tr>
<tr>
<td>Total</td>
<td>840,123,051</td>
<td>120,606,239.66</td>
</tr>
</tbody>
</table>

### Own Resources

The EU Paying Authority Directorate also managed the bank account relating to EU Own Resources. During 2010, close relations were maintained with the relevant services in DG Budget of the EU Commission and also local stakeholders mainly the Customs and VAT Departments 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.

The following table indicates the payments of Own Resources effected by the Directorate for Malta in favour of the Commission during 2010, amounting to €59,753,672.

### Payments to the EU during 2010 (€)

<table>
<thead>
<tr>
<th>Payment Type</th>
<th>Amount (€)</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOR</td>
<td>9,999,145.06</td>
</tr>
<tr>
<td>VAT-Based</td>
<td>7,274,673.62</td>
</tr>
<tr>
<td>GNI-Based</td>
<td>39,530,095.90</td>
</tr>
<tr>
<td>UK Correction</td>
<td>2,579,064.00</td>
</tr>
<tr>
<td>Reduction in favour of other</td>
<td>370,693.00</td>
</tr>
<tr>
<td>Total</td>
<td>59,753,671.58</td>
</tr>
</tbody>
</table>
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:
- co-ordinated 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 the 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 €1,247,130. This included €890,587 for Council meetings and €356,543 for Commission meetings.

Other Community Programmes/Initiatives and other work

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 2010, the CA certified and transferred to Revenue funds in connection with the ERF, EBF and Return Fund projects, and these amounted to €2,456,288.

Norwegian & EEA Financial Mechanisms (NFM & EEAFM)

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 of 2010, €70,661 (NFM) and €279,533 (EEAFM) were certified and transferred to revenue.

Swiss Fund

The Swiss Government granted a fund amounting to €3.581million covering the costs of a PET scanner acquisition and support to the Mediterranean Academy of Diplomatic Studies (MEDAC) which are the only two projects under this fund. To date, the Paying Authority has certified and transferred to revenue the sum of €1,245.
**Fiscalis Programme**

Work was carried out as National Co-ordinator and Representative of the Fiscalis Programme 2013 within the MFEI. 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 €172,563. It also co-ordinated and managed Malta’s participation in various activities offered by the Fiscalis Programme, such as seminars, exchanges, multi-lateral controls, committees and workshops. For the year, €91,932 covered the reimbursement costs for Malta’s participation in the programme through various officials across government departments.

**Other Work**

During February 2010, the Paying Authority gave its contribution to a TAIEX study visit by the Ministry for European Integration, Sector for Programming, Monitoring and Evaluation of Technical and Financial EU Support of Montenegro.

On 25 and 26 October 2010, the Maltese Paying Authority hosted in Malta the Second EU Certifying Authorities Network Meeting. The Certifying Authority (CA) network is a new important informal forum which was set up to bring together the Certifying Authorities of the Member States to discuss the various issues related to the CA functions and tasks.

CLAUDER G CUSCHIERI  
*Director (EU Paying Authority)*
INTRODUCTION

During 2010, the Policy Development Directorate (PDD) continued to focus upon its core areas of responsibility, namely the development of policies, the co-ordination of the National Reform Programme (NRP) under the Europe 2020 strategy, co-ordination of issues pertaining to the Single Market, to represent the Ministry on inter-ministerial committees and other bodies, as well as the provision of timely support and advice to the Permanent Secretary on any issue which is referred to it.

National Reform Programme under the Europe 2020 Strategy

The Directorate’s foremost task for the year was the co-ordination of the Europe 2020 Strategy for jobs and smart, sustainable and inclusive growth, which succeeded the Lisbon Strategy. Europe 2020 builds on the Lisbon Strategy’s achievements as a partnership for growth and job creation, addressing its shortcomings, whilst renewing it to meet new challenges. The strategy aims to help the EU come out stronger from the economic crisis and turn it into a smart, sustainable and inclusive economy, delivering high levels of employment, productivity and social cohesion. Member States were called to prepare their National Reform Programmes under the new strategy with a view to deliver structural reforms needed to increase the growth potential of their economies.

The Directorate submitted Malta’s draft National Reform Programme to the European Commission in November 2010. The draft NRP document is intended as a blueprint for the final NRP and features a limited number of key elements and measures. The European Council has set five EU headline targets so as to guide the action of Member States as regards promoting employment; improving the conditions for innovation; meeting our energy objectives; improving education levels and promoting social inclusion in particular through the reduction of poverty. In turn, these have to be translated into national targets by each Member State. The draft NRP presents the ambitious, yet realistic, targets that Malta has set for itself and proposes measures that could contribute towards the achievement of these targets.

The next task at hand for the Directorate is to hold a wide public consultation on Malta’s draft NRP so as to be able to present the final version to the European Commission by April 2011. The Directorate also draws up instruction notes and policy papers on the Europe 2020 strategy.

In its role as NRP co-ordinator, the Directorate together with the Economic Policy Department received a European Commission delegation on a fact-finding visit in October which dealt with macroeconomic issues and bottlenecks to growth. The Malta-EU Steering & Action Committee (MEUSAC) was given a detailed presentation in order to keep it abreast with the key developments. Information on the Europe 2020 Strategy was also disseminated on radio and TV programmes in co-operation with MEUSAC.

Better Regulation

The PDD is the Better Regulation Ministry Co-ordinator (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. A network of Better Regulation Contact Persons within each MFEI entity has been
created so as to ensure that every department and authority has a person dedicated to support BR initiatives. The role also entails gathering data required from regulatory bodies and other stakeholders involved in regulation setting and enforcement for the preparation of reports and documents to be submitted to the Better Regulation Unit. As part of a capacity building exercise a significant number of MFEI officers have been nominated to attend a forthcoming training programme which will equip the public sector with the necessary skills for the proficient use and application of BR principles, procedures, tools and techniques.

**Single Market**

This Directorate is also responsible for the co-ordination of issues falling under the Single Market. Last year the re-launch of the Single Market was high on the agenda of the European Union. In fact on 9 May 2010, the European Commission released a report prepared by Mr Mario Monti entitled *A New Strategy for the Single Market* which identified the challenges that a new policy initiative to re-launch the Single Market would face. Following an exchange of views with Mr Monti to re-launch the Single Market, the European Parliament adopted a report on ‘Delivering a single market to consumers and citizens’. Since both documents touched upon horizontal issues, this Directorate consulted various ministries and entities in order to draw up Malta’s reaction to these documents.

The Single Market Act issued in October 2010 by the European Commission responds to these two reports and incorporates many of their recommendations. The Single Market Act sets out 50 proposals to be enforced by 2012 to make the single market work better and calls for action to make the lives of all market participants easier. The Directorate held wide-ranging consultations on this act with the various stakeholders.

The Directorate also 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 Directorate participated in a number of IMAC meetings that were held in Brussels. 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 2010, PDD staff attended training given by the Centre for Development Research and Training in the fields of policy making, information technology, presentation techniques and personal development.

In detail, these are the main courses and seminars that were followed by one or more of the staff members: Salient points of the Public Service Management Code; Overview and Implications of the Freedom of Information Act; Equality Issues; Public Administration Act; Public Dialogue on the Priorities and Programme of the Spanish Presidency of the European Union; Neuro Linguistic Programming; and Effective Time Management.

During 2010, the Directorate ensured that it was always duly represented by a member of staff in both national and European meetings, seminars and conferences focusing on various policy issues mainly those concerning the Europe 2020 Strategy, the Internal Market and Competitiveness. The Directorate also continued to keep abreast with developments on a national as well as on a European level in the areas falling under its responsibility.

MARTIN SPITERI
Director (Policy Development)
Enterprise Policy Directorate

INTRODUCTION

The Enterprise Policy Directorate’s role in the Ministry of Finance, the Economy and Investment is that of actively promoting policy measures which enhance the business operational environment and also that of contributing to ensure the optimal implementation of measures resulting from such policy decisions.

MAIN INITIATIVES

Small Business Survey

Any policy decision has, ideally, to be based on correct and complete information which would enable the policy maker to ensure the desired outcome. Although a substantial amount of data related to business is collected at a national level, it was felt that the needs of smaller business operators, particularly the sole operators and those with a micro (1–9 employees) or a small (up to 49 employees) operation, could best be addressed if more qualitative information was available on the way they operate, finance their business, seek advice and similar issues. To this end, the Directorate commissioned the NSO to carry out a Small Business Survey which was concluded in the third quarter and a report on the findings of this survey will be available in the first quarter of 2011.

Small Business Act

Following the various consultations held over the past months, both internally within the administration and with the relevant stakeholders, a White Paper was drawn up and published to seek further feedback on the identified legislative measures which had been incorporated into a draft Small Business Bill. This exercise was finalised in December 2010 and the Directorate has started reviewing the feedback received in order to finalise the draft Bill so as to be able to seek Parliament’s approval in the beginning of 2011.

Social Enterprise Sector

The importance of the social enterprise sector’s importance for the national economy has been increasingly recognised in recent years as well as its potential to boost employment and contribute towards the well being of society in general. In order to be in a better position to propose policy measures that would enable the further development of the sector, the Directorate has commissioned a study which is intended to establish the current make-up of the sector in Malta as well as to identify possibilities of reform in the relevant legislation or administrative provisions. The study was initiated in the third quarter of 2010 following a call for proposals meant to identify the best way in which the subject could be approached. The result of the study should be available in the first quarter of 2011.

Entrepreneurship through Education

Consonant with its belief that the qualities which enhance the entrepreneurial attitudes and skills should be encouraged and given the opportunity to develop, the Ministry has made available funds to operate a programme which seeks to finance various projects in primary and secondary schools meant to stimulate innovative and entrepreneurial mindsets among young people.
The Directorate started discussions with the Ministry for Employment, Education and the Family in the third quarter of 2010 to finalise the details of the programme so as to be in a position to launch it in the beginning of 2011.

**Other Initiatives**

During 2010, the Directorate co-ordinated efforts to implement a number of measures intended to assist smaller businesses in becoming more aware of their obligations from a regulatory perspective as well as to provide the means to ensure fuller compliance.

The Directorate was also involved in a number of other initiatives which will continue to be developed in the next year. Some of these are the development of a ‘Business Needs’ Awareness Programme meant to increase the understanding of how businesses, particularly small businesses, operate and their limitations in meeting requirements imposed by bureaucracy. This programme will be aimed primarily at those business facing entities in the public sector in order to ensure that their officials understand and are better prepared to meet the requirements of business.

The Directorate has also been involved in the collection of data necessary to establish with more accuracy the potential impact of any changes to the maternity leave or benefit entitlement so as to enable more informed decisions to be taken.

The importance of having a comprehensive Trade and Business Register has long been recognised and the Directorate has also in the past year been trying to identify the best way in which this goal can be reached through the facilitation of information sharing between government entities without infringing data protection rights. This work will continue and should be finalised in the beginning of 2011.

Work has also started in the third quarter of 2010 on the development of a Quality Improvement Programme which is intended to raise awareness of the importance of ensuring high quality in products and services offered as well as the operational set-up of our enterprises. The programme will also assist interested enterprises in identifying the most suitable actions they can undertake to achieve the best results in quality improvement. This programme will dovetail with other initiatives being implemented which are meant to support internationalisation as well as provide tax relief for related investments.

**VARIOUS ACTIVITIES**

**Enterprise Consultative Council**

The Directorate has a central role in the organisation of this Council which met twice in 2010. The Council is made up of business representatives as well as a number of government entities which can influence policy decisions which impact the business environment. The Council is chaired by the Minister of Finance, the Economy and Investment.

**SME Week**

The Directorate was responsible for the co-ordination of the events held to mark the SME Week 2010 which included a number of events held in various educational facilities and meant to promote the option of self-employment and the importance of the entrepreneurial qualities. This year’s events also included visits to a number of commercial centres using a mobile unit which was purposely prepared for the event and which provided the opportunity for all those interested to learn more on government initiatives meant to support businesses.
Awards

The Directorate was also involved in the preparation of a competitive processes leading to the granting of awards in a number of different categories for initiatives taken to support the business sector. The awards were further split into two main categories, with one for submissions from local councils and another one for other organisations. The Awards ceremony was presided over by the Parliamentary Secretary for Small Businesses and Lands.

The Directorate also participated in the initial phase of the Innovation Awards scheme which will be held in the beginning of 2011.

European Union

The Directorate’s staff participates in a number of fora at EU level such as the Enterprise Policy Group, the SBA Contacts, the Entrepreneurship and Innovation Programme Committee, the Policy Relevant Research Group, the National Start Up and 2nd Chance Contact Group and the Female Entrepreneurship Working Group. The unit also participates in the Competitiveness Council meetings.

The Directorate also contributes to the preparation of documents required in preparation for participation by Ministry officials in meetings at EU level by providing the required input.

Services Directive

In 2010, the Directorate continued its contribution to the implementation of this Directive through its participation the Mutual Evaluation exercise instituted by the Commission as well as through the publication of two legal notices under the Services (Internal Market) Act meant to continue the transposition process. The Unit also continued its support to other ministries which finalised their transposition through the publication of a number of other legal notices.

ANTON SPITERI
Director (Enterprise Policy)
INTRODUCTION

The IMU in co-ordination with key ICT personnel in the various departments provided the required ICT support in terms of operations, strategy, project management, consultancy, governance and end user support to the Ministry and its departments. The IMU was also instrumental in leading and implementing IT initiatives and ensuring that these are in line with the overall government ICT strategy as well as monitor and control the ICT budget expenditure. The following is an outline of the operations, projects and initiatives in which the IMU was involved during the year under review.

Requests for ICT services

The IMU logged and/or approved requests for ICT 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 while monitoring costs and increasing security. The range of requests for services included among others the following:

- alterations in access to CDB accounts;
- alterations in access permissions to generic e-mail accounts;
- assign/revoke rights to access to corporate information systems such as DocReg, PQ System, SFD, CDB;
- 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 VPN accounts;
- assign/revoke rights to shared folders;
- upgrade the storage limit of generic e-mail accounts;
- upgrades to storage quota on network drives;
- mailbox or files/folders restores.

User and Departmental Support

The IMU provided general technical support to the Ministry and its users. Though support calls generally declined 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 in the following:

- provision of minor IT equipment such as mice, keyboards and other peripherals;
- support for problems related to emails such as offline mail, backups, archiving etc;
- provision of video conferencing facilities;
- transfer of IT equipment, network connectivity and telephony following office moves;
- assistance to 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;
co-ordinating the provision of ICT related services for users whose application for teleworkers. This includes provision of Internet/mail services, hardware and access to business applications via VPN from home;

- troubleshooting of peripheral hardware devices that are not normally covered by the desktop leasing agreement such as external hard disks and other peripherals.

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: Office of the Permanent Secretary, Parliamentary Secretariat, Customs Department, Treasury Department, Commerce Department, Accountancy Board, and the Contracts Department.

**ICT Budgeting 2011**

In June the budgeting process to submit the Operational (OPEX) and Capital (CAPEX) ICT budgetary requirements for the Ministry and its departments for 2011 was commenced. A number of meetings with relevant stakeholders and project managers at MITA were organised in order to assess the ICT requirements for the coming year. The finalised ICT budgets were forwarded to MITA by the end of July 2010.

**Desktop Leasing Programme**

The IMU continued the co-ordination of the Desktop Leasing Services programme to replace Desktop PCs and laptops with leased ones across the entire Ministry and its departments. The exercise was finalised in January 2010. During the rest of the year the IMU serviced additional requests for leased PCs and laptops especially for new employees.

**Local Area Networks**

During 2010, the IMU continued to upgrade the whole network infrastructure of the Ministry and departments, an exercise commenced way back in 2009. The upgrading exercise involved the conversion of all network hubs to managed network switches, the rewiring of network cabinets and installation of uninterruptible power supplies where applicable.

Various other network related tasks were also carried out in various departments during the year and these included:

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

**Procurement, Supplier and Contract Management**

All ICT procurement for the Ministry and its departments, 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.

The IMU was also involved in managing suppliers and co-ordinating 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.

The formulation of a number of maintenance and support agreements related to hardware and/or information systems that are implemented within the Ministry or its departments also fall within the remit of the IMU.

**Transfer and Storage of ICT Assets**

IMU co-ordinates the transfer of ICT assets between government entities and departments. This includes transfer of the equipment, transfer of asset forms, update of the inventories and renaming and/or re-installation of the asset. This procedure is ensuring that the use of assets is optimised to the full without having assets lying idle.

For a more efficient use of ICT resources, the IMU has established a workshop and store within the Ministry with the following aims:

- storage of reusable ICT equipment
- storage of obsolete items prior to being written off
- cannibalisation of parts to reconstruct or replace other IT equipment including PCs were applicable
- clearing the administrative offices from idle ICT equipment which takes up precious space.

All items in the store have been categorised, appropriately labelled and inventoried for easier location and traceability.

**Technical Apprenticeship Scheme**

For the second year running, a TAS apprentice was engaged with 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.

**Monitoring and tracking of ICT Budgeting and Procurement**

The IMU has developed a database linked to the ICT asset register launched last year 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 is assisting the IMU to monitor and track better ICT expenditure.

**Open Source Software**

In 2010, the IMU launched a new website www.vision2015.gov.mt which was developed completely with open source technologies. The website is also fully accessible and compliant with the stringent quality and security policies of MITA. An Intranet for the Ministry was also developed with the same open source technology.
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 2010, new pages of information were added to the Ministry website with some of these having a dedicated URL due to the nature of the business and ease of access. These included web pages for the Parliamentary Secretariat for Small Businesses and Lands (www.konsultakop.gov.mt) and the Ministry’s Financial Data Reporting System (www.fdrs.gov.mt).

In the year under review the IMU assisted three different departments in launching a new website. These were:
- www.vision2015.gov.mt for the Ministry (which was developed in Open Source software);
- www.economicpolicy.gov.mt for the Economic Policy Department;
- www.ipo.gov.mt for the Commerce Department.

The IMU was directly or indirectly 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.

Security and Governance

From time to time MTCERT (Computer Emergency Response Team) at MITA informs the IMU about PCs that are not behaving normally on the Magnet. These include PCs that do not have the proper antivirus installed, PCs that are creating undue traffic on the network, PCs not logging correctly onto the Corp domain or cases where non compliant software has been installed. In all these cases, the IMU through its governance function investigates these instances and takes the appropriate line of action.

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 co-ordinating the submission and eventual processing of exemptions by MITA was fully co-ordinated by the ICT governance function within the IMU.

Optimisation of Printing Resources

The IMU in liaison with the Director Corporate Services commenced an exercise to rationalise the use of printers within the Ministry. The process involved the removal of inkjet printers which have high running costs from each desktop and replacing these with laser printers which are shared among a number of users. The IMU also assessed all other printer procurement requests by the departments to ensure that where possible no further desktop printers are procured and instead workstations or heavy duty printers that can service multiple users along with capability for duplex printing are procured or leased.

Training

During the year under review, officers from the IMU benefited from the following training opportunities:
- Training workshops organised by the European Patent Office in the Hague, the Netherlands on Information Systems currently in use by the Commerce Department;
- Technical training by the Office of Harmonisation in the Internal Market (OHIM) in Alicante, Spain on behalf of the Commerce Department;
- Training in Procurement by Contracting Authorities;
- Training in Conflict Management;
− Training in Data Warehouse Design;
− Plone Development and Administrator Training;
− Training in Records Management and the Freedom of Information Legislation;
− Information Security Awareness.

The IMU was also invited and participated through its officers in a number of local conferences and/or seminars dealing with various aspects of ICT and Information Management during 2010.

**ICT Support for the National Budget 2011**

The IMU managed the Ministry’s ICT requirements for the preparation of the national Budget 2011. 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 National Information Society Advisory Council (NISCO), the INFOSEC Council, the CIO Council and the CIO Forum. The IMU also participates through a representative in the Malta Open Source End User Group (MOSEUG).

**DIMIC for the IMI**

During 2010, the IMU as a DIMIC had the responsibility to register Competent Authorities in the system, manage their data, monitor progress of requests and assist in case of problems.

**Financial Data Reporting System**

The IMU has implemented a Financial Data Reporting System at the Ministry which is now being used to collect online financial data from government entities and departments. The system would then allow the Budget Affairs Department staff to analyse the data using Microsoft Excel as the front end tool and carry out monitoring, ad hoc analysis as well as create financial models on the financial data submitted.

**Library Information System**

The Ministry is setting up a physical library within the Ministry’s building, as well as planning the integration of a number of other libraries present within the same Ministry’s departments. The library will be used to categorise information resources within the Ministry for eventual use by other departments and possibly members of the public. For this purpose, the IMU has implemented, in collaboration with the National Statistics Office, an electronic library system for the Ministry. The system was also upgraded with a WebOpac feature which allows the public in general to search for books from any Internet connected web browser. Developments are also in hand to upgrade the application to a web-based version as well to conform with Government’s security standards and best practices. The application has been hosted on a Virtual machine residing on a Ministry server at MITA’s Private Runtime Environment (PRE).

**Attendance Verification Systems**

All the necessary preparatory work for the installation of attendance verifications systems (AVS) in the Ministry’s departments have been made during 2010. These included the identification of the location, the provision of electrical supplies and the availability of free network ports on the nearest network cabinet so that once the AVS suppliers are identified, the works can commence without delays.
MFEI Intranet

During 2010, the IMU developed an Intranet for the Ministry. The Intranet features an updated telephone directory, a news section, photo galleries, an events section and space for IMU publications. The Intranet was developed in Plone (Open Source) and hosted on a Virtual machine residing on a Ministry server at MITA’s Private Runtime Environment (PRE). An editorial team has also been established to provide the content for the Intranet while two officers from the Directorate of Corporate Services have been assigned to upload and edit content. Apart from technical support, the IMU also provided the required training.

European Social Fund Training

The project entitled Strengthening IMUs and other related functions through specialist training submitted under Priority Axis 4 of the Operational programme II – Empowering people for more jobs and a better quality of Life submitted by CDRT and in which the CIOs of MFEI and OPM are joint partners was approved late in 2009. During 2010, the tenders for the Management Company that will be managing the project and the tender for the suppliers of specialist ICT training services were published, evaluated and awarded. The specialist ICT training for staff working in IMUs and beyond will commence in 2011 and will span over a period of three years.

LEMIS

The project for a Land and Estate Management Information System (LEMIS) for the Government Property Department commenced in April 2010. During the first weeks from commencement, a series of exercises were conducted to gather information about the existing environment which eventually led to Phase 1 of the project, namely the compilation of the technical documents and user requirements. Training sessions for users were held in November while in December the hardware for the system was installed at MITA. The first module of the system (the e-Rents System) should go live in the first weeks of next year. Next year will see further developments and the launch of additional modules as planned.

ICT Support to Customs

The IMU works constantly with Malta Customs to assist and eventually finance the ICT systems required by the Customs Department. This particular department has the highest demand for new information systems due to requirements imposed by the EU. During 2010 the IMU assisted the Customs Department as follows:

- implementation of the Excise Movement Control System (EMCS);
- implementation of an Internal Business and Intelligence Reporting System;
- deployment of the CES System SAD compliant version and eBISCUS Upgrade;
- general support to internal users on Customs information systems;
- assistance in the debugging of errors on information systems when these arise.

ALBERT VELLA
Chief Information Officer
Financial Policy Development and Analysis Directorate

FINANCIAL MANAGEMENT

Financial Policy

The consolidation of policies, laws, regulations and standards continued during the course of 2010. In particular, the Financial Administration and Audit Act, General Financial Regulations and the Malta Government Accounting Standards were identified as priority areas where work is in progress to update them.

The main objectives of this exercise are that of modernising financial management across public administration, enabling public officers to manage better and be more accountable. This task aims also to increase efficiency in the use of public assets. This necessitates the continuous liaison with the National Audit Office (NAO), Treasury Department, Budgetary Affairs Division and the Internal Audit and Investigation Department (IAID).

Changes to the General Financial Regulations were enacted to facilitate the disposal of unserviceable or written off items. A number of policies relating to travel and transport were issued.

Vehicle Registration and Licensing

During 2010, the Directorate participated in the reform of the vehicle registration for commercial vehicles. The registration tax for N-category vehicles and M2/M3 vehicles is calculated on the basis of category, Euro standard, gross vehicle weight and engine capacity. Depreciation was introduced for the registration of used N-category and M2/M3 category vehicles as requested by the European Commission.

The registration values, upon which the registration tax for used M1 and L category vehicles is calculated, were updated on a monthly basis based on the used cars price index which is published by the National Statistics Office and information which is published by CAP Motor Research Ltd. Data was collected from the local market to refresh the base price values for cars and motorcycles together with the CIF (cost, insurance and freight) values. Registration values are published online by Transport Malta.

In the course of the year discussions were held with the Permanent Representation, CAP Motor Research Ltd, Transport Malta and the National Statistics Office in order to enhance the registration value system - this is an ongoing process. Also, outstanding issues which were raised by the European Commission relating to the infringement procedure against Malta were addressed. In 2011 work will continue to enhance the methodology where it is planned that registration values shall be refreshed on the basis of a consumer survey that will be carried out and actual price transactions as recorded by Transport Malta.

Government Transport

In the budget speech, Minister announced that government transport needs to be managed more efficiently and that over the course of two years an exercise will be undertaken to analyse the use of transport, where recommendations will be presented on the use of transport by ministries and departments, planning, fuel
consumption, maintenance and repairs. This reform will be concluded by the end of 2013. Currently, expertise is being sought to assist Government with this reform.

Preliminary analysis undertaken in the course of 2010 indicates that economies of scales can be achieved by centralising fleet management and the delivery of intra-departmental mail and the transportation of personnel.

In the interim during 2010, the Directorate continued implementing and enhancing the Fleet Management System, which is a system that had been developed by MITA. This system was installed by a number of additional public entities including the Malta Tourism Authority, the Office of the President and WasteServ. Currently, preparations have reached an advanced stage for the implementation of the system by the Police Department and Armed Forces of Malta, effectively the system would be made use of by all ministries and departments. Plans are underway to extend the implementation across all extra-budgetary units in the coming years. Presently, the main functions of this system are fuel management, maintenance, repairs, hiring and leasing of vehicles. During the year under review, a number of developments to the Fleet Management System were implemented which aid the reporting and management of vehicles. In particular an internal verification structure was set up where the consumption of fuel, repairs and maintenance, together with the hiring of vehicles is monitored more closely and remedial action taken as necessary.

Changes that were enacted in the General Financial Regulations facilitate the centralisation and disposal of surplus and unserviceable vehicles, and those which are beyond economic repair. Plans are underway to centralise the disposal of these vehicles through the Customs Department. Measures were also taken to limit the extent of leasing and hiring of vehicles by Government.

The Directorate also finalised the carbon dioxide emissions of fuel consumption by ministries and departments in 2009, currently the emissions for 2010 are being calculated. On the basis of the report recommendations will be made to incentivise the reduction of carbon dioxide emissions.

The Government Transport Unit within the Directorate also started to prepare the groundwork which will be issued in 2011 that will regulate the settling of claims involving insurance exempt government-owned vehicles in line with an agreement that had been signed between the Ministry and the Protection and Compensation Fund.

**Obesity**

In 2010, the Directorate represented the Ministry on the Intersectoral Committee to Counteract Obesity (ICCO). This committee 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;
- ensuring close collaboration and consistency of action regarding food and nutrition as described in The Malta Food and Nutrition Policy (1988);
- submitting 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 Department within the Ministry for Health, the Elderly and Community Care and an obesity strategy is currently being finalised. The strategy aims at changing existing conditions and helping Maltese people make healthier lifestyle choices.
National Cancer Plan

The Ministry for Health, the Elderly and Community Care launched the National Cancer Plan on 8 February 2011. The overarching purpose of the National Cancer Plan 2011-2015 is to reduce the incidence of cancer, prolong survival and ensure the best quality of life possible for cancer patients. This comprehensive plan explicitly sets out the objectives and measures that need to be put in place in order to bring about the desired developments and improvements.

Following a proposal submitted by the Ministry for Health, the Elderly and Community Care the Directorate was tasked with evaluating the financing of the proposed actions. Several meetings were held with the Strategy and Sustainability Division within MHEC and a consolidated financing plan was submitted.

Late Payments

The European Commission holds that 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. The Commission holds that these habits impact liquid assets and complicate the financial management of businesses. Furthermore, overdue payments by public authorities weaken the credibility of policies and make operating conditions for businesses unstable and unpredictable, thereby hindering growth and employment.

In the course of the year under review, the Directorate continued to examine a proposal by the 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 which were held. Among other things, the recast directive provides that public authorities will have a 30-day payment period to settle invoices for the purchase of goods and services, or 60 days under exceptional circumstances such as with the case of healthcare. Businesses must pay their invoices within 60 days, unless otherwise agreed and if the other conditions agreed upon are not grossly unfair to the creditor. Businesses can automatically request the payment of interest on late payments and also charge a fixed rate of €40 as compensation for recovery costs. Additionally, the rate of interest for late payments will be no less than eight percentage points above the European Central bank’s reference rate.

The European Parliament approved the recast directive in October 2010; however, the Council of Ministers still has to formally adopt this directive.

Utilities

Expenditure by ministries and departments on utilities and telephony amounted to €26.7 million in 2010. As had been announced, Government will be publishing its carbon dioxide emissions and taking measures to reduce these emissions. Currently the Directorate is liaising with Arms Limited to compile a comprehensive list of government-used premises and calculating the carbon dioxide emissions for the consumption of electricity and water.

Insurance

Government’s standing policy is to self-insure, settling claims that arise. The Ministry had undertaken the initiative to explore the feasibility of insuring against:

- medical malpractice;
- government-owned vehicles;
- government property.
The feasibility will be extended also to professional indemnity, protecting against potential negligence claims made by individual, businesses or organisations against Government. In the course of 2010, the Directorate continued with this task where professional expertise had been sought to assist Government with this feasibility study. Priority has been assigned to medical malpractice, where a number of groups were identified, together with the assistance of the Health Care Division. Work will be consolidated during 2011.

Public Broadcasting

During 2010, the Directorate continued working on the funding of the Public Broadcasting Services Ltd (PBS). This company is funded by a mix of commercially generated revenue and public funds which are provided through the Public Service Obligation agreement that had been signed between this company and Government.

A detailed financial review of PBS was undertaken with several meetings being held between management and the Ministry. This activity will be supplemented by a review of the methodology supporting the claim for funding under the Public Service Obligation agreement.

Credit Card Policy

The Directorate was tasked with proposing a common-platform policy regulating the used of credit cards. Analysis was carried out in 2010 to identify the use and extent of credit cards by ministries. Expertise will be provided by the Central Bank of Malta to draw up such policy. It is planned that this activity will be concluded by 2011.

Loans and Claims

Since 2008, the Directorate has been assigned the task of assessing requests by local councils to enter into agreement for loans to fund specific projects. During 2010, such requests amounted to over €0.25 million. The Directorate is also responsible for assessing claims against Government which require input by the Ministry, namely relating to collisions and medical malpractice.

Grants

A number of grants were implemented in the course of 2010, namely one related to capital expenditure by sports organisations and another related to the scrapping of an older vehicle. Other grant schemes which were still being administered by Government include the marriage grant, the funeral grant, the ordination of priesthood grant and the grant on the purchased of musical instruments. The total recurrent expenditure on such grants for this financial year amounted to €2 million.

Capital Expenditure by Sports Organisations

A budgetary measure that was implemented by the Directorate was a grant scheme whereby a grant of 15.25% on the expenditure of a capital nature incurred by officially recognised sport organisations in their sport facilities is provided to such organisations, thus enhancing the level of sport activity in Malta.

More Environmentally Friendly Cars

The Directorate was also tasked with the drafting and implementation of a scheme related to the scrapping of older cars when purchasing a new car which is up to 4,460mm and emits no more than 150g/km of carbon dioxide. The grant also applies for resident persons who on 25 October 2010 did not have a vehicle registered in their name with Transport Malta. Such persons would be eligible for 50% of the grant. The
grant is calculated as 15.25% on the cost, insurance and freight (CIF) with a capping of €2,000. Up to 2,000 individuals will benefit from this scheme.

**Church Schools**

During the year under review the Directorate in liaison with the Directorate for Quality and Standards in Education within the Ministry of Education, Employment and the Family formulated a grant related to assistance provided to church schools to extend or construct school premises as part of the reform involved in the process of the continuity learning process between the primary and secondary levels. A total of €3.5 million will be allocated by Government over a seven-year period. It is planned that this scheme will be launched during 2011.

**OTHER**

**Travel Management System**

In 2010, the assistance of the Malta Information Technology Agency (MITA) was sought to identify a suitable solution for managing travel, replacing the current paper-based systems. To this effect, a comprehensive document was drawn detailing the processes and supporting policies. Such solution would enable Government to better manage travel abroad, potentially centralising booking, etc. and reducing costs. This activity will be consolidated during 2011.

**Pandemic Preparedness**

During the course of 2010, this Directorate continued representing the Permanent Secretary, MFEI on the National Pandemic Preparedness Committee (PPC); this was integrated with the Civil Protection Council (CPC) which was chaired by the Minister for Justice and Home Affairs. The committee was made up of high ranking officials from various ministries as well as a representative from the Opposition.

**Investment Facility Committee**

During 2010, 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.

**Economic and Financial Committee Meeting**

The informal Economic and Financial Committee Meeting was held in Malta in May 2010. The meeting was organised jointly by the Ministry of Finance, the Economy and Investment and the Central Bank of Malta. The Directorate assisted in the organisation of the meeting and was part of the Organisational Committee. Over 150 participants attended the meeting.

HERALD BONNICI  
*Director (Financial Policy Development & Analysis)*
Human Resources Section

During 2010, the Department endeavoured to strengthen its administrative capabilities by initiating the procedure for the appointment of a number of Procurement Managers. The process for the call for applications for the posts of Procurement Manager (Contracts) and Procurement Manager (Electronic) were concluded and the new incumbents appointed.

Training on the human resources of the Department was sustained as in previous years. A number of officials were afforded the opportunity of training abroad in public procurement. Two officials attended a symposium in Italy organised by the Public Procurement Network entitled Re-launching the international cooperation in the field of Public Procurement. Another official attended an EIPA Master Class course on the Competitive Dialogue. Two Procurement Managers attended a course in London specifically aimed on an Introduction to EC Procurement while another two were trained on Public Procurement for EU Funded Projects. The Department also sent representatives to the EU PP Learning Lab Meeting and BBG Exhibition Event in Vienna. Other officials were constantly afforded local training through courses organised by the Centre for Development, Research and Training.

Refurbishment Works

The new store premises were completed. The final works included the installation of a CCTV and alarm system. This enabled the transfer of all documents and archiving of files to this new building, thus relieving valuable office space for the proposed expansion of the Department.

The basement of the Department was converted into offices and boardrooms. This project included the dismantling of the archive shelving system, laying of tiles, plastering and painting, electrical, mechanical and aluminium works. Procurement of the office furniture, and an air conditioning system was also successfully completed. Migration of officials to the refurbished basement commenced during December.

Structural alterations were also taken in hand on the new premises earmarked for the Public Contracts Review Board. Besides refurbishment works such as plastering and painting etc, calls for tenders were also issued for the provision of sanitary ware for the toilets, iron works for security and joinery works.

Training for Contracting Authorities, Beneficiaries and Economic Operators

Training, in collaboration with CDRT, on National Procurement focusing on local legislation i.e. Legal Notice 296 of 2010 relating to the Public Procurement Regulations as well as EU Directives 17 and 18 of 2004, was carried out by means of intensive six module seminars held during May and October 2010. 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 tender documentation templates for works, services and supplies that were specifically designed by the Department of Contracts.

Procurement by Contracting Authorities was another short half-day course organised for public employees responsible for procurement in their organisations. Three such courses were held in April, November and
December. A representative from the Department also lectured during induction courses for Principals and the sessions dealt with the basic principles in public procurement and departmental tenders.

A similar training seminar was also carried out with the collaboration of the Planning and Priorities Co-ordination Division during July 2010 entitled Capacity Building for Structural Funds Beneficiaries, Start Up Training for New Beneficiaries. This seminar was specifically targeted for stakeholder recruits entrusted with the management of the new allocated EU budget obtained by Malta under the Structural Funds 2007-2013.

During the year, the Department organised two information sessions in which public procurers and economic operators were invited to attend and participate. During the first information session held in March 2010, the Department outlined the changes made to the tender templates, and detailed the introduction of the rectification mechanism in the case of tenders being not compliant in purely administrative matters not having an impact on the selection, technical and financial aspects of the tender offer. In December 2010, a second information session was held, during which the attendees were briefed on the work carried out by the Departmental Contracts Committees, on the European e-CERTIS tool, public procurement opportunities for small and medium-sized enterprises, the new electronic procurement procedures, VAT-related issues in tendering, and on the tender award criteria. An overview of the new Public Procurement Regulations was also given during this session. Both sessions registered a positive number of attendees, and the Department intends to organise similar sessions on a regular basis.

**Public Contracts Regulations**

Legal Notice 296 of 2010 has introduced the new public procurement regulations, which came into effect on 1 June 2010. The aims of these regulations are to:

- adjust thresholds to current project realities;
- devolve the publication of tenders to contracting authorities while at the same time increase the supervision of the Department of Contracts;
- improve the process of transparency and fairness.

Through these regulations, the threshold of departmental tenders increased from €47,000 to €120,000. Departments are now able to publish tenders up to the new threshold without seeking the approval of the Department of Contracts. These new legal provisions should provide more efficiency in the publication of tenders. On the other hand the award of these tenders is carried out after obtaining approval of the Departmental Contracts Committee of the respective ministry. These new committees have been specifically appointed and are composed of the Director Corporate Services or his representative, an officer appointed by the Permanent Secretary and a representative of the Department of Contracts.

The new regulations are seeking to introduce more independent review procedures in line with EU Directive 2007/66/EC. A very important concept introduced is that the appeals period will initiate from the date of notification. Furthermore, all appeals will be dealt with by the Public Contracts Review Board irrespective of the value of the tender. It is to be noted that through these new regulations, any aggrieved bidder can file an appeal prior to the signing of the contract and also after the contract becomes effective. The Public Contracts Review Board will have the power to declare a contract ineffective if awarded illegally or if the legal procedure is not followed correctly. The Review Board may cancel the contract or award alternative penalties, such as damages to the injured party and also impose administrative penalties.

In conjunction with the introduction of the Public Procurement Regulations 2010, a new set of tendering templates were drawn up by a specialist team from the Department of Contracts. The aim of this exercise was to standardise the procurement templates, so that the documentation pertaining to the three areas regulating works, supplies and services tenders are very similar to one another and hence user friendly.
Public procurement policy and practice are continually developing in the national as well as international sphere. In order to keep public procurement progressing on the same lines, the Department actively participates 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 Economics and 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. In fact during 2010 an official attended a Meeting of the Expert Group on the transportation of Directive 2009/81/EC on defence and security procurement.

**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, that 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 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.

**General Contracts Committee**

The General Contracts Committee held regular sittings during 2010 in which 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 420 awarded contracts, 209 cancellations and 34 fresh calls for tenders.

**Post-Contracts**

Most of the work post-contract is in respect of requests by the Contracting Authorities (government entities) for variations (financial), extensions to the period of execution or other amendments to the contracts such as changes to the payment terms. Invariably, these changes are referred to the General Contracts Committee for approval. In this regard, during 2010, 185 requests were referred to the General Contracts Committee.

Other work post-contract relates to the ongoing maintenance of bank guarantees, including tender guarantees, performance guarantees and retention guarantees.

Some disputes during contract implementation end up in conflict and one or both parties will refer their case to the Courts of Justice or to the Malta Arbitration Centre. With the ongoing support of the Office of the Attorney General staff from the Department of Contracts regularly attend Court or Arbitration sittings to represent the Department.

**The Department’s e-Services**

The Department’s electronic services continued registering a good take-up during 2010. 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 for changes in the tender status.

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 tender templates were thoroughly revised and standardised during 2010, and the Department offers a service by which procurers can request to receive e-mail alerts whenever the templates are updated.

The increase in the website usage can be gauged by some statistics:

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average total sessions</td>
<td>765</td>
<td>8,776</td>
<td>11,351</td>
</tr>
<tr>
<td>Average total monthly hits</td>
<td>109,000</td>
<td>633,905</td>
<td>756,854</td>
</tr>
<tr>
<td>Average total monthly transfer of data</td>
<td>836MB</td>
<td>19.04GB</td>
<td>50.99GB</td>
</tr>
</tbody>
</table>

Some 1,273 users (including procurers) were registered with the system as at end 2010, as against the 595 that were registered in 2009.

The European Commission’s Ninth Benchmarking Report (December 2010) positively reviewed Malta’s performance in e-Procurement, with the country achieving a 100% score in the ‘visibility’ indicator (up from the previous year’s 92%), and a 76% score in the new ‘availability’ indicator, which measures to what extent can the procurement process be carried out online. Malta’s target is to achieve a 100% score in this core indicator as well.

To this end, during 2010, the IT Unit liaised with MITA over the expansion of the electronic services and to achieve a full electronic procurement capacity, thus including e-submission, e-evaluation, and e-sourcing. A tender for the provision of an e-Procurement Solution as a Service (SoaS) has been issued and awarded in the last quarter of the year. Through this solution, MITA and the Department of Contracts intend to expand the e-Procurement capabilities to all Maltese Contracting Authorities over a number of deployment cycles. In addition to the current e-services, the solution will also allow electronic submission of tenders, as well as being able to use new electronic methods such as dynamic purchasing systems, e-Auctions and e-Catalogues, by which procurement may be conducted.

FRANCIS ATTARD
Director General (Contracts)
Value Added Tax Department

The principal aim of the Department is to ensure that the VAT revenue target set out in the annual budget is attained and possibly exceeded, 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 2010, gross revenue collected under the VAT Act 1998, the CET Act 1997 and the VAT Act 1994 was €580,697,856 compared to €539,821,467 in the previous year. Refund of excess credit paid out of revenue amounted to €98,236,113 resulting in net revenue of €482,461,743 compared to €453,408,912 in the previous year. The relevant information is shown in the following table.

<table>
<thead>
<tr>
<th></th>
<th>VAT Act 1998 (€)</th>
<th>CET Act 1997 (€)</th>
<th>VAT Act 1994 (€)</th>
<th>Total (€)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Gross</td>
<td>580,697,856</td>
<td>33,402</td>
<td>73,388</td>
<td>580,804,646</td>
</tr>
<tr>
<td>Less Refunds</td>
<td>98,236,113</td>
<td>0</td>
<td>30,238</td>
<td>98,266,351</td>
</tr>
<tr>
<td>Total Net</td>
<td>482,461,743</td>
<td>33,402</td>
<td>43,150</td>
<td>482,538,295</td>
</tr>
</tbody>
</table>

ECO Contribution

The VAT Department is the competent authority for the administration and collection of ECO Contribution. During 2010 the amount collected from this contribution was €10,191,599.

Outstanding Credits and Debits

As at the end of 2010, the Department had a net debit book balance on VAT (1998) of €415,197,363 after deducting outstanding taxpayers’ credit. The realistic net balance is €49,324,353 after deducting estimated assessments and interest.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Debit Balance</td>
<td>484,383,717</td>
<td>2,969,257</td>
<td>6,569,153</td>
<td>493,922,127</td>
</tr>
<tr>
<td>Outstanding credits</td>
<td>69,186,354</td>
<td>5,956</td>
<td>24,994</td>
<td>69,217,303</td>
</tr>
<tr>
<td>Net Balance</td>
<td>415,197,363</td>
<td>2,963,301</td>
<td>6,544,159</td>
<td>424,704,824</td>
</tr>
</tbody>
</table>

Cost-Effectiveness

Total recurrent expenditure during 2010, excluding the contribution to the Tax Compliance Unit and the Fiscal Receipt Lottery amounted to €5,266,859. Net revenue from VAT 1994, CET 1997 and VAT 1998 amounted to €482,538,295. Revenue from ECO Contribution was €10,191,599. Net total Revenue
collected amounted to €492,729,894. The cost effectiveness rate for 2010 remained that of 1c per euro as that in 2009.

**Analysis and Control**

The Analysis and Control Unit set up last year in order to monitor the effectiveness of the operations at the Department has evaluated data submitted by registered persons, analysed credit control claims and results of investigations to upgrade parameters for the risk analysis system. The unit also assisted in the identification of cases for investigation by TCU and VAT Department and monitored and evaluated work performed. This year, the Unit has to review 97 investigations carried out during the previous months and referred 33 for further or corrective action.

**Collection of Tax Arrears**

**Civil Procedures**

A total of 92 cases were settled through Civil Court action, resulting in the collection of €13,457,078 of tax in arrears, as shown below:

<table>
<thead>
<tr>
<th>Demand Notices</th>
<th>Judicial Letters</th>
<th>Garnishee Orders/ Warrants of Seizure</th>
<th>Civil Cases Settled</th>
<th>Tax Collected</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>10,607</td>
<td>115</td>
<td>80</td>
<td>92</td>
</tr>
</tbody>
</table>

**Operations and Enforcement**

**Audit Investigations**

The number of audit investigations carried out by the Department during 2010 was 57, resulting in 40 provisional assessments of €4,979,460. There were 27 cases referred to the Tax Compliance Unit resulting in provisional assessments amounting to €1,369,873 and final assessments of €1,490,239. The Department also carried out 44 ECO contribution investigation cases resulting in assessments of €691,052.

**Credit Controls**

The Department concluded 295 credit controls resulting in assessments of €1,368,792.

**Validation of VAT Returns, Correction and Audit Trail**

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

<table>
<thead>
<tr>
<th>Type</th>
<th>Cases Concluded</th>
</tr>
</thead>
<tbody>
<tr>
<td>Validation</td>
<td>94</td>
</tr>
<tr>
<td>Correction</td>
<td>740</td>
</tr>
<tr>
<td>Audit trail</td>
<td>185</td>
</tr>
</tbody>
</table>

**Compliance Rate**

VAT returns continued to be issued regularly each month. The following table shows the returns issued and received during 2010. The overall compliance rate as on due date, expressed as the percentage of returns received over the number of returns issued, was 66.68%, increasing to 86.08% by end year.
**Inspections**

During the year, despite a considerable shortage of inspectors, 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. There are four Revenue Security Corps members carrying out limited inspection duties and delivery of specific mail.

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. Inspections were held twice weekly on transporters and persons have been arraigned in court as a result of this measure.

**Objections**

During 2010, a total of 466 objection letters concerning VAT issues and 39 objection letters concerning ECO Contribution were dealt with completely. The number of outstanding objections at the end of the year was 1,021 and 74 respectively.

**Legal Action**

**VAT Legislation**

During 2010, there was only one amending Act – Act I of 2010 – An ACT to implement Budget measures and other administrative measures. The following legal notices were published under the VAT Act 1998:

<table>
<thead>
<tr>
<th>Notice No.</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>LN 71 of 2010</td>
<td>VAT Act (Cap 406) VAT (Fourth Schedule) (Amendment) Regulations, 2010</td>
</tr>
<tr>
<td>LN 72 of 2010</td>
<td>VAT Act (Cap 406) VAT (Eleventh Schedule) (Amendment) Regulations, 2010</td>
</tr>
<tr>
<td>LN 73 of 2010</td>
<td>VAT Act (Cap 406) VAT (Fourteenth Schedule Amendment) (No2) Regulations, 2010</td>
</tr>
<tr>
<td>LN 285 of 2010</td>
<td>VAT Act (Cap 406) VAT (Fees) (Appeals Board) Regulations, 2010</td>
</tr>
<tr>
<td>LN 286 of 2010</td>
<td>VAT Act (Cap 406) VAT (Fifth Schedule Amendment) Regulations, 2010</td>
</tr>
<tr>
<td>LN 421 of 2010</td>
<td>Eco-Cont. Act (Cap 473) (Amendment of Second Schedule) Regulations, 2010</td>
</tr>
<tr>
<td>LN 425 of 2010</td>
<td>VAT Act (Cap 406) VAT (Amendment of Fifth Schedule) (No2) Regulations, 2010</td>
</tr>
<tr>
<td>LN 444 of 2010</td>
<td>VAT Act (Cap 406) VAT (Twelfth Schedule)(Amendment) Regulations, 2010</td>
</tr>
<tr>
<td>LN 499 of 2010</td>
<td>VAT Act (Cap 406) VAT (Amendment of Eighth Schedule) Regulations, 2010</td>
</tr>
<tr>
<td>LN 500 of 2010</td>
<td>VAT Act (Cap 406) VAT (Exemption From Registration) Regulations, 2010</td>
</tr>
<tr>
<td>LN 523 of 2010</td>
<td>VAT Act (Cap 406) LN499 of 2010 VAT (Amendment of Eighth Schedule) Regulations, 2010</td>
</tr>
<tr>
<td>LN 524 of 2010</td>
<td>VAT Act (Cap 406) VAT (Exemption From Registration) Regulations, 2010</td>
</tr>
<tr>
<td>LN 532 of 2010</td>
<td>VAT Act (Cap 406) VAT (Amendment of Second Schedule) Regulations, 2010</td>
</tr>
<tr>
<td>LN 533 of 2010</td>
<td>VAT Act (Cap 406) VAT (Amendment of Third Schedule) Regulations, 2010</td>
</tr>
<tr>
<td>LN 534 of 2010</td>
<td>VAT Act (Cap 406) VAT (Amendment of Fifth Schedule) (No3) Regulations, 2010</td>
</tr>
<tr>
<td>LN 535 of 2010</td>
<td>VAT Act (Cap 406) VAT (Amendment of Tenth Schedule) Regulations, 2010</td>
</tr>
<tr>
<td>LN 536 of 2010</td>
<td>VAT Act (Cap 406) VAT (Substitution of Sixteenth Schedule) Regulations, 2010</td>
</tr>
</tbody>
</table>

**Court Cases**

Legal action was taken against taxpayers wherever it resulted that the VAT legislation was being abused. As a result, 437 cases involving failure to issue fiscal receipts were brought before the Court, of whom 25
were decided and 278 of them found guilty. The latter were together fined a total of €278,311, whilst 47 cases were acquitted.

Another 1,783 new cases involved failure to submit tax returns. As a result, 427 cases were together fined €683,485 whilst 1,677 cases were withdrawn once the returns were duly submitted prior to the Court’s hearing. The relevant information is shown below:

<table>
<thead>
<tr>
<th>Involving Fiscal Receipts</th>
<th>Involving Tax Returns</th>
</tr>
</thead>
<tbody>
<tr>
<td>Appointed No</td>
<td>€</td>
</tr>
<tr>
<td>Total 437</td>
<td>278</td>
</tr>
</tbody>
</table>

**Appeals**

During 2010, the number of new appeals lodged with the VAT and CET Appeals Boards was 166. The Boards decided a total of 133 cases.

**Taxpayers’ Registry**

**Registration and De-registration**

During the year, 5,468 taxpayers were registered with the Department, bringing the total number of registered persons to 101,427. The current active registered taxpayers is 57,216 of which 35,218 are in Register A, 21,314 are in Register B and 684 are in Register C. The number of outstanding applications for a VAT number as at end year was nil. During the same year, 3,418 new applications were received for de-registration. A total of 1,967 applications were processed completely.

**Other Matters**

**Manual Fiscal Receipt Booklets**

The number of fiscal receipt booklets distributed during 2010 was 52,809.

- Printed Booklets 52,058
- Distributed Booklets 52,809
- Returned Booklets 38,627

During the year, the Department has enhanced controls on the issue of fiscal receipt books by supplying new fiscal receipt books only where old ones were returned. Legislation is also being amended to strengthen the present procedure.

**Customer Service**

Customer Service was also improved. The Department has improved communication with registered persons by upgrading its website and publishing information for registered persons informing them of changes in legislation. Training to staff was enhanced in this respect. The Department is also extending its schedule of opening hours in summer for the benefit of its customers. The ledger statement was completely renewed to a simpler and more informative way. It is intended that such statement would be sent to VAT registered persons together with the VAT return which will become due.

**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 2010, the VAT Department 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, submission of VAT returns, online requests for receipt books and online payment. The Department has introduced an obligatory online service of the recapitulative statement declaration. The intranet site was also updated for the benefit of the VAT Department officials.

Legal Committee

The Legal Committee set up in 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 also participated actively in meetings held in Brussels of the Working Party No 1, VAT Committee, SCAC Committee, Recovery Committee, Fiscalis Committee, Advisory Committee on Own Resources and other meetings.

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

Own Resources

As in previous years, the VAT Department collected the necessary data and completed the compilation of the VAT Statement on Own Resources in due time.

EU Related Matters

During 2010, the Department continued to compile questionnaires related to EU matters. Notwithstanding that these commitments are increasing from year to year, the Department complies with such obligations in the prescribed time. The Department has also made a number of consultation meetings with stakeholders such as the Malta Financial Services Authority on VAT treatment on financial services and with the Malta Tourism Authority on the tourist profit margin scheme.

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. This year, several officials from the Department participated in seminars, workshops, work visits and multilateral controls.

The Department has also prepared the financial statement for Fiscalis and was active in the organisation of a Fiscalis Seminar to be held in February 2011.

Manuals and Procedures

The Department’s manuals and procedures have been updated and new ones were introduced so as to guide its officials in their work. These are aimed to secure accountability, to create more transparency and to ensure that rules are applied consistently across the whole Department.
**IT Security**

The Commissioner of VAT has commissioned MITA to carry out an audit of the security features in the VAT system and to recommend measures to strengthen internal IT security controls. An exercise is being carried out to introduce recommended changes to enhance automatic security controls in the system.

**Training**

Training to staff was held both in-house and outside the Department. Two days per month have been identified to be fully dedicated for training. A schedule for such training is being drawn up to cover a six-month period.

JOSEPH SAMMUT  
*Commissioner of VAT*
OFFICE OF THE COMMISSIONER OF INLAND REVENUE

The projected strategic targets for the Inland Revenue Department for 2010 were attained. Throughout the year, the Department sought to consolidate its function as administrator of the Income Tax Acts and the Capital Transfer Duty Acts, whilst simultaneously ensuring the effective enforcement of collection of social security contributions under the direction of the Ministry of Finance, the Economy and Investment.

A major initiative which required a significant and sustained input from various sections within the Department was the Reduction of Interests and Penalties Scheme. Phase One of the scheme, which focused on personal tax (individuals and companies), was concluded in the first quarter of 2010 and collected €43 million in arrears. Phase Two is aimed at collecting arrears of revenue due by employers in respect of their employees’ income tax and social security contributions.

REVENUE

Revenue generated through income tax in 2010 amounted to €801 million. Furthermore, the Inland Revenue Department also collected €552.5 million in social security contributions. The following table illustrates the Department’s revenue from 2008 up to 2010 (figures are in millions):

<table>
<thead>
<tr>
<th></th>
<th>2008 (€ million)</th>
<th>2009 (€ million)</th>
<th>2010 (€ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income Tax</td>
<td>735.4</td>
<td>739.4</td>
<td>801</td>
</tr>
<tr>
<td>Social Security Contributions</td>
<td>510.5</td>
<td>524.2</td>
<td>552.5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,245.9</strong></td>
<td><strong>1,263.6</strong></td>
<td><strong>1,353.5</strong></td>
</tr>
</tbody>
</table>

Throughout 2010, the Department issued a total of 60,461 refunds amounting to a total of €58,914,556.

The total recurrent expenditure for 2010, including emoluments and other operating expenses stood at €6.1 million. Hence, every €1 of income tax collected came at a cost of €0.008. If one were to consider also the revenue collected by the Department in respect of social security contributions, then the overall cost per €1 of revenue collected from both sources is reduced to €0.005.

Income Tax Revenue

A more detailed breakdown of the above stated revenue figures is presented in the ensuing table.

<table>
<thead>
<tr>
<th></th>
<th>Settlement Tax</th>
<th>Final Settlement</th>
<th>Provisional Tax</th>
<th>Self-assessment</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees</td>
<td>15,526,023</td>
<td>243,155,070</td>
<td>13,734,797</td>
<td>8,591,477</td>
<td>281,007,367</td>
</tr>
<tr>
<td>Expatriates</td>
<td>825,882</td>
<td></td>
<td>6,430,087</td>
<td>4,318,037</td>
<td>11,574,006</td>
</tr>
<tr>
<td>Trade, Business, etc.</td>
<td>9,798,140</td>
<td>0</td>
<td>16,401,627</td>
<td>5,149,835</td>
<td>31,349,602</td>
</tr>
<tr>
<td>Companies</td>
<td>24,282,868</td>
<td>0</td>
<td>292,848,933</td>
<td>43,305,365</td>
<td>360,437,166</td>
</tr>
<tr>
<td>Capital Gains</td>
<td>0</td>
<td>0</td>
<td>64,373,518</td>
<td>0</td>
<td>64,373,518</td>
</tr>
<tr>
<td>15% Withholding Tax</td>
<td>0</td>
<td>0</td>
<td>42,005,202</td>
<td>0</td>
<td>42,005,202</td>
</tr>
<tr>
<td>Others</td>
<td>4,117,058</td>
<td>0</td>
<td>4,144,685</td>
<td>1,976,149</td>
<td>10,237,893</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>54,549,971</strong></td>
<td><strong>243,155,070</strong></td>
<td><strong>439,938,849</strong></td>
<td><strong>63,340,863</strong></td>
<td><strong>800,984,754</strong></td>
</tr>
</tbody>
</table>
The number of receipts issued by Cash Office (Floriana only) in respect of Income Tax and Social Security Contributions for 2010 was:

<table>
<thead>
<tr>
<th></th>
<th>Number of Receipts</th>
<th>Value (€)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income Tax</td>
<td>263,983</td>
<td>600,530,610</td>
</tr>
<tr>
<td>Social Security</td>
<td>161,500</td>
<td>273,230,640</td>
</tr>
</tbody>
</table>

**Final Settlement System**

During 2010, employers submitted a total of 9,261 Annual Reconciliation Statements (FS7) and 48,841 Payee Statements (FS3) in relation to year 1998 to 2009. 96% of these related to 2009. All of the submitted data was subsequently vetted, captured and reconciled by the Final Settlement System (FSS) Section. Moreover, the FSS Section registered 505 registered taxpayers during the finalisation process, whilst a total of 4,864 temporary residents were also registered in the same period. The table below provides an overview of the FSS Section’s key performance indicators over a 3 year period:

<table>
<thead>
<tr>
<th></th>
<th>Electronic Lodgements</th>
<th>FS7 Web Submissions</th>
<th>Electronic FS3</th>
<th>Electronic Errors Solved</th>
<th>Adjustment Forms Processed</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>196</td>
<td>1,155</td>
<td>235,870</td>
<td>19,857</td>
<td>7,789</td>
</tr>
<tr>
<td>2009</td>
<td>954</td>
<td>1,196</td>
<td>247,796</td>
<td>220,945</td>
<td>5,920</td>
</tr>
<tr>
<td>2008</td>
<td>n/a</td>
<td>1,381</td>
<td>n/a</td>
<td>17,455</td>
<td>4,563</td>
</tr>
</tbody>
</table>

**Taxpayer Interface**

Taxpayer assistance is mainly provided through two sections, depending on the nature of assistance and contact required. The Taxpayer Service Centre handles face-to-face requests, whereas the Taxpayer Call Centre manages taxpayer queries through incoming telephone calls or by means of email. The main objective of the Inland Revenue Department’s Call Centre is that of handling taxpayer queries, be it through incoming telephone calls or by means of email. Queries are raised by all categories of taxpayers, that is, individuals, companies, employers and expatriates.

**Taxpayer Service Centre**

The following are some key statistics relating to the level of activity registered by the Inland Revenue Department’s Taxpayer Service Centre:

<table>
<thead>
<tr>
<th></th>
<th>Personal Encounters</th>
<th>Registration of New Taxpayers</th>
<th>Agreements for Programmed Tax Payments (Individuals)</th>
<th>Agreements for Programmed Tax Payments (Employers)</th>
<th>Editing of Taxpayer Details</th>
<th>Issued Income Tax Returns</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>32,865</td>
<td>1,216</td>
<td>401</td>
<td>58</td>
<td>2,403</td>
<td>15,967</td>
</tr>
<tr>
<td>2009</td>
<td>31,980</td>
<td>1,074</td>
<td>325</td>
<td>502</td>
<td>1,823</td>
<td>22,595</td>
</tr>
<tr>
<td>2008</td>
<td>28,881</td>
<td>1,175</td>
<td>648</td>
<td>326</td>
<td>2,038</td>
<td>16,185</td>
</tr>
</tbody>
</table>

**Taxpayer Call Centre**

The following statistics indicate the high level of activity and services rendered by the IRD Call Centre. It is interesting to note how the use of electronic mail as a means of contacting the Department’s Call Centre officials continues to steadily rise, perhaps offset against the other more traditional means. The IRD Call Centre is also tasked with effecting the necessary changes to the Taxpayers Personal Index following receipt of correspondence.

<table>
<thead>
<tr>
<th></th>
<th>Telephone Calls</th>
<th>Electronic Mail</th>
<th>Ordinary Mail</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>92,867</td>
<td>12,880</td>
<td>2,567</td>
</tr>
<tr>
<td>2009</td>
<td>114,863</td>
<td>9,779</td>
<td>3,208</td>
</tr>
<tr>
<td>2008</td>
<td>90,561</td>
<td>6,744</td>
<td>3,168</td>
</tr>
</tbody>
</table>
Tax Returns and Non-Filers

In 2010 (basis year 2009), the number of tax statements issued without the need for taxpayers to fill in and submit their annual tax return (non-filers) was 181,345. On the other hand, the number of tax returns generated was of 71,688.

eBusiness Usage

The Inland Revenue Department considers the gradual shift to eBusiness models of interfacing with taxpayers as a strategically important goal. The results below are testimony to this drive, particularly in the case of the corporate tax return, where 96% of returns are completed electronically.

<table>
<thead>
<tr>
<th>Corporate Tax Return</th>
<th>Y/A 2010 (Ratio)</th>
<th>Y/A 2009 (Ratio)</th>
<th>Y/A 2008 (Ratio)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Returns filed Electronically</td>
<td>17,316 (96%)</td>
<td>11,828 (93%)</td>
<td>16,327 (82%)</td>
</tr>
<tr>
<td>Returns filed Manually</td>
<td>718 (4%)</td>
<td>805 (7%)</td>
<td>3,558 (18%)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Individual Tax Return</th>
<th>Y/A 2010 (Ratio)</th>
<th>Y/A 2009 (Ratio)</th>
<th>Y/A 2008 (Ratio)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Returns filed Electronically</td>
<td>701 (2%)</td>
<td>443 (1%)</td>
<td>456 (1%)</td>
</tr>
<tr>
<td>Returns filed Manually</td>
<td>56,318 (98%)</td>
<td>60,597 (99%)</td>
<td>61,665 (99%)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>FSS Services for Employers</th>
<th>Basis 2009 (Ratio)</th>
<th>Basis 2008 (Ratio)</th>
<th>Basis 2007 (Ratio)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FS7 filed on Web</td>
<td>1,933 (16%)</td>
<td>1,478 (13%)</td>
<td>1,381 (12%)</td>
</tr>
<tr>
<td>FS7 filed through CD</td>
<td>206 (2%)</td>
<td>985 (9%)</td>
<td>706 (6%)</td>
</tr>
<tr>
<td>FS7 filed Manually</td>
<td>9,759 (82%)</td>
<td>8,980 (78%)</td>
<td>9,274 (82%)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Electronic Payments</th>
<th>Government Payment Gateway</th>
<th>Internet Banking</th>
<th>Total Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year</td>
<td>Count</td>
<td>€</td>
<td>Count</td>
</tr>
<tr>
<td>2010</td>
<td>5,922</td>
<td>3,896,052</td>
<td>18,726</td>
</tr>
<tr>
<td>2009</td>
<td>6,291</td>
<td>2,939,064</td>
<td>16,465</td>
</tr>
<tr>
<td>2008</td>
<td>6,604</td>
<td>2,724,986</td>
<td>14,595</td>
</tr>
</tbody>
</table>

Companies

2010 registered a further increase in the amount of electronically filed company tax returns which has now reached 96% of all company tax return filers.

AUDIT AND ENFORCEMENT

Audits and Investigations

Throughout 2010, the tax audits and investigations carried out 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 and eco tax combined) of €20,338,106. This is a marked improvement over results attained in 2009 and 2008, and represents a significant increase of 52% over figures reported in 2009.

<table>
<thead>
<tr>
<th>Year</th>
<th>Increase in Tax (€)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>20,338,106</td>
</tr>
<tr>
<td>2009</td>
<td>13,404,294</td>
</tr>
<tr>
<td>2008</td>
<td>14,311,242</td>
</tr>
</tbody>
</table>
Enforcement Initiatives

The following table presents a summary of a number of key enforcement exercises carried out throughout 2010 by the IRD. Of particular note throughout 2010 is the Reduction in Interest and Penalties Scheme.

<table>
<thead>
<tr>
<th>Enforcement Exercise</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>15-day Notice (Individuals/Corporate)</td>
<td>5,375</td>
</tr>
<tr>
<td>FSS/SSC Notices (Current Year F55 Defaulters)</td>
<td>6,735</td>
</tr>
<tr>
<td>FS7 Defaulters Notice (Current Year)</td>
<td>11,009</td>
</tr>
<tr>
<td>FSS/SSC Employers Default Notices</td>
<td>981</td>
</tr>
<tr>
<td>FSS/SSC Employers Demand Notices</td>
<td>531</td>
</tr>
<tr>
<td>Provisional Tax Enforcement</td>
<td>4,601</td>
</tr>
<tr>
<td>Reduction in Interest &amp; Penalties Scheme (Phase 1)</td>
<td>20,146</td>
</tr>
<tr>
<td>Reduction in Interest &amp; Penalties Scheme (Phase 2)</td>
<td>40,071</td>
</tr>
<tr>
<td>Reduction in Interest &amp; Penalties Scheme (Phase 2 – Circulars)</td>
<td>36,779</td>
</tr>
<tr>
<td>Circulars (Missing FS7 – All Years between 1998 and 2009)</td>
<td>4,565</td>
</tr>
<tr>
<td>Best of Judgement Notifications</td>
<td>7,073</td>
</tr>
<tr>
<td>Assessments (Individuals)</td>
<td>6,124</td>
</tr>
<tr>
<td>Assessments (Companies)</td>
<td>8,929</td>
</tr>
<tr>
<td>SSC Class 2 Notices</td>
<td>2,702</td>
</tr>
</tbody>
</table>

Mutual Recovery of Tax and Clearance Certificates

The IRD continued to take enforcement action and precautionary measures for the recovery of claims from other European Union member states as per directives 76/308EEC and 2001/44/EC. Out of the 41 cases in hand throughout 2010, 13 were new claims, 5 cases were finalised whilst another 36 are still pending at year end.

During 2010, a total of 115 clearance certificates were issued to companies, employers and individuals who bid for tenders in Malta or in another EU country. In addition to this, the IRD Collection Section also processed 2,606 requests for the renewal of work permits submitted by expatriates. Receipt adjustments carried out in 2010 amounted to 3,532, with 2,034 being performed in relation to individuals or companies, whilst the remaining 1,498 relate to employers.

Other Enforcement Exercises

In October 2010, court action was taken against employers who defaulted in sending their respective end-of-year documents or had outstanding FSS/SSC arrears. In the sittings held, 293 employers were arraigned before the Criminal Court.

The FSS Section also continued its intensive enforcement programme, and at the end of 2010 the number of defaulters stood at 1,072 - a compliance rate of 92.2% (up from 91.6% in 2009).

Enforcement measures were also taken against self-occupied taxpayers who had a backlog of unpaid social security contributions (Class II). By the end of 2010, the Department had issued 2,702 demand notices, and moreover, 100 agreements for a more gradual repayment of the Class II arrears were reached with various taxpayers who could not effect a repayment in one instalment. The sum of these agreements amounted to €1,425,781.

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 identify cases of persons who fail to register as taxpayers, in order to ensure that the remittance by employers of FSS tax and social security contributions are being deducted from salaries and to trace taxpayers who fail to claim assessments sent by registered mail. Throughout 2010, the Department availed of the RSC services as follows: 499 cash escorts; 592 enquiries related to FSS assessments; and 203 enquiries for the Capital Transfer Duty Division.
**technical matters**

2010 was another year during which the Department’s Technical Section was heavily involved in strategic, operational and tactical decision-making. Amongst other initiatives, this section was constantly represented at high-level meetings regarding the Department’s processes and played a significant role in the Department’s major initiatives, such as Phase 2 of the Reduction of Interests and Penalties Scheme.

**Legislation**

Amendments to the Income Tax Acts and amendments as well as new enactments of subsidiary legislation under the Acts were made during 2010 so as to introduce various measures, including those mentioned in the 2010 Budget Speech. The most noteworthy are the following:

- Anti-tax abuse measures, especially those related to property and share transfers were enacted in the Income Tax Acts and subsidiary legislation;
- A deduction was made available to pharmacy outlets incurring expenditure related to the Pharmacy of Your Choice scheme;
- Deductions to employers providing (i) workplace accessibility to disabled employees, and (ii) childcare facilities at the workplace for employees;
- Deductions were made available to persons undertaking tertiary education locally or abroad, whilst the childcare deduction was widened;
- An exemption from royalties derived from patents was enacted;
- Fiscal incentives (in the form of tax credits) targeting micro enterprises and the self-employed were launched;
- A deduction was made available in respect of donations to the University Research, Innovation and Development Trust;
- Rules were issued to regulate foundations;
- New or amended Double Tax Treaties with the USA, France, Libya, Georgia, Serbia, Jordan, Lebanon, Qatar, Isle of Man, Jersey and San Marino;
- The Income Tax Management Act and subsidiary legislation were amended to provide for the substitution of the Board of Special Commissioners by the Administrative Review Tribunal.

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

<table>
<thead>
<tr>
<th>Date</th>
<th>Number</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>05/02/2010</td>
<td>LN65/2010</td>
<td>Double Tax Relief (Taxes on Income) (Georgia) Order</td>
</tr>
<tr>
<td>09/02/2010</td>
<td>LN69/2010</td>
<td>Double Tax Relief (Taxes on Income) (State of Qatar) Order</td>
</tr>
<tr>
<td>16/02/2010</td>
<td>LN83/2010</td>
<td>Merchant Shipping (Taxation and Other Matters) (Amendment)</td>
</tr>
<tr>
<td>05/03/2010</td>
<td>LN107/2010</td>
<td>Enterprise Support Incentives Regulations (Amendment)</td>
</tr>
<tr>
<td>09/03/2010</td>
<td>GN238/2010</td>
<td>Second Board of Special Commissioners</td>
</tr>
<tr>
<td>18/03/2010</td>
<td>LN162/2010</td>
<td>Double Tax Relief (Taxes on Income) (The Isle of Man) Order</td>
</tr>
<tr>
<td>23/03/2010</td>
<td>LN171/2010</td>
<td>Deduction (Pharmacy of Your Choice) Rules</td>
</tr>
<tr>
<td>30/03/2010</td>
<td>LN192/2010</td>
<td>Double Tax Relief (Taxes on Income) (San Marino) (Amendment) Order</td>
</tr>
<tr>
<td>30/03/2010</td>
<td>LN193/2010</td>
<td>Tax Refunds and Registration Procedure (Amendment) Rules</td>
</tr>
<tr>
<td>16/04/2010</td>
<td>Act 1 of 2010</td>
<td>Budget Measures Implementation Act, 2010</td>
</tr>
<tr>
<td>27/04/2010</td>
<td>LN242/2010</td>
<td>Double Tax Relief (Taxes on Income) (Lebanon) (Amendment) Order</td>
</tr>
<tr>
<td>14/05/2010</td>
<td>LN291/2010</td>
<td>Deduction for Wear and Tear of Plant and Machinery (Amendment) Rules</td>
</tr>
<tr>
<td>14/05/2010</td>
<td>LN292/2010</td>
<td>Fringe Benefits (Amendment) Rules</td>
</tr>
<tr>
<td>28/05/2010</td>
<td>LN312/2010</td>
<td>Foundations (Income Tax) Regulations</td>
</tr>
<tr>
<td>01/06/2010</td>
<td>LN317/2010</td>
<td>Capital Gains (Amendment) Rules</td>
</tr>
<tr>
<td>11/06/2010</td>
<td>LN328/2010</td>
<td>Double Tax Relief (Taxes on Income) (Libya) Order</td>
</tr>
<tr>
<td>11/06/2010</td>
<td>LN329/2010</td>
<td>Double Tax Relief (Taxes on Income) (France) (Amendment) Order</td>
</tr>
<tr>
<td>22/06/2010</td>
<td>LN336/2010</td>
<td>Extension of Jurisdiction of the Administrative Review Tribunal (Fiscal Matters) Regulations</td>
</tr>
<tr>
<td>06/08/2010</td>
<td>LN390/2010</td>
<td>Income Tax Management Act (Amendment) Regulations</td>
</tr>
</tbody>
</table>
Other Technical Matters

The Department’s Technical Section delivered support to the other divisions within the Department in the implementation of their processes by giving technical guidance to heads of sections and answering numerous technical queries made by staff. In addition to this, technical queries were received from a variety of sources including the Ministry, tax practitioners, auditors, lawyers and the general public.

A significant contribution was given to staff training and education through representation on the training committee, participation in the actual training sessions and the circulation of internal memos on technical developments. The section is also represented on the Department’s Legal Committee.

Volume 6 of the Court of Appeals decisions was published at the end of 2010. Work on Volume 3 of the Board of Special Commissioners decisions continued with a view to having it published in 2011. Contributions were made to the Department’s website, including two new guidelines on yacht and aircraft leasing. Ten complaints were received from the Ombudsman’s Office during 2010. Nine cases were concluded, two of which were in respect of complaints received during 2009. Twenty requests for exemption were received and examined.

Other Departmental Achievements

Following the refurbishment of Block 4, the Department’s management continued in its endeavour to modernise its offices as a whole. Further refurbishment works were commenced and completed within a number of offices at Block 3 (housing the Correspondence Management Unit and the Computer Section). Works are now underway within Block 1- these are due to be completed by mid-2011.

Board of Special Commissioners

The tasks and duties of the Board of Special Commissioners are gradually being concluded, with the Administrative Review Tribunal set to take over in April 2011. In 2010, the Board of Special Commissioners held a total of 37 sittings and concluded 35 cases. Therefore, of the 110 cases pending at the start of the year, 35 were concluded, 12 new cases were registered. Seven cases are to be concluded by the Board, whilst 80 cases are to be transferred to the Tribunal. 2010 will be the last full year of operation of the Board of Special Commissioners, which had originally been set up and commenced operations in May 1950.

Capital Gains Tax

The Capital Gains Tax Section deals with queries from professionals and taxpayers with regards to Capital Gains Tax. During the year, 877 requests for a permit in terms of Rules 10(2) and 10(4) of LN 5/2005 were received. In total, 836 permits were issued, 16 were refused or cancelled, and an additional 95 permits were reissued. With regard to the issuing of permits in terms of Article 43(3), a total of 278 requests were received. Out of these requests, 195 were authorised for a reduced rate while 66 applications were refused and four were cancelled or referred to another section.
**Workflow Management System**

The Workflow Management System manages and controls the workflow devolving onto the various business units within the IRD, including the Gozo Office and the International Tax Unit. Out of the 81,085 work items received and subsequently forwarded for processing, 78,227 were closed by year-end.

**INTERNATIONAL TAX UNIT**

**Double Taxation Agreements**

During 2010, the legal notices in connection with the double taxation agreements (DTA) with Georgia, Isle of Man, Jersey, Jordan, Libya (new DTA), Qatar, Serbia and the USA and the Protocols amending the double taxation agreements with France, Lebanon and San Marino were published. Furthermore, double taxation agreements with Bahrain, China (new DTA) and Jersey and Protocols amending the double taxation agreements with Belgium and Germany were concluded and signed. The double taxation agreements with Uruguay, Bahrain, China (new DTA), Norway (new DTA) and a Protocol amending the DTA with Poland were negotiated and initialled. Finally, negotiations on a double taxation agreement were held with Russia and on a Protocol amending the DTA with Singapore.

**Work Processed**

Throughout 2010, the International Tax Unit captured 170 self-assessments and processed six new applications for Advance Revenue Rulings, 13 applications for renewals of Advance Revenue Rulings, 1,016 refund claims, 1,278 requests for certification of exemption from duty under the Duty on Documents and Transfers Act, 130 exchanges of information with foreign tax authorities, and 722 requests for registration of shareholders under the New Tax Regime.

**Revenue Collected through the International Tax Unit**

During the year, €130,000,000 were transferred to revenue from tax paid by companies dealt with at ITU.

**Other International Tax Unit Affairs**

Members of the International Tax Unit attended 16 meetings in connection with the EU, one with the Organisation for Economic Co-operation and Development, two with the Intra-European Organisation for Tax Administrations and five in connection with the Global Forum on Transparency and Exchange of Information on Tax Matters. Staff members of the ITU took part in work related to new legislation, particularly on the fine tuning of the New Tax Regime. Throughout the year, staff members of the International Tax Unit were involved in further work related to the computerisation of the process of the New Tax Regime, specifically those relating to the registration of shareholders and of the refund claim form.

**CAPITAL TRANSFER DUTY DIVISION**

**Duty on Documents**

Throughout 2010, the Capital Transfer Duty Division examined 11,775 notarial deeds, of which 5,868 cases were referred for inspection by the Division's engineers. As a result, 4,549 original assessments were raised.
The total revenue collected from this source amounted to €79,289,491 (Duty on Documents). This included revenue in respect of causa mortis transmissions. 97 refusals were issued in anticipation of appeals for the consideration of the newly established Administrative Review Tribunal.

During the same period 1,935 objections were filed and 662 revised claims were issued. 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.

During the year, 2,737 causa mortis declarations were filed, out of which 297 filed by notaries were referred to the Division’s technical experts to verify the valuation of immovable properties declared therein. The number of causa mortis declarations processed during 2010 was 2,128. The Division receives and investigates a number of deficient returns. In fact, during the period, 722 claims were issued and 87 revised assessments were raised. During the same period, 116 objections were filed by transferees against the said causa mortis claims, while 113 objections have been concluded. Appeals against eventual refusals will have to be finally considered by the afore-mentioned tribunal.

**Revenue Collected by the Capital Transfer Duty Division**

The revenue collected through the Capital Transfer Duty Division in 2010 is shown in the table hereunder:

<table>
<thead>
<tr>
<th></th>
<th>2010 (€)</th>
<th>2009 (€)</th>
<th>2008 (€)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Death and Donation Duty</td>
<td>75,007</td>
<td>36,266</td>
<td>46,482</td>
</tr>
<tr>
<td>Duty on Documents and Transfers</td>
<td>79,289,491</td>
<td>78,220,861</td>
<td>85,749,854</td>
</tr>
<tr>
<td>Fines and Late Fees</td>
<td>11,404</td>
<td>16,503</td>
<td>14,285</td>
</tr>
<tr>
<td>Fees on AIP Permits</td>
<td>47,991</td>
<td>56,906</td>
<td>223,273</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>79,423,893</td>
<td>78,330,536</td>
<td>86,033,894</td>
</tr>
</tbody>
</table>

**Death and Donation Duty**

The number of returns of chargeable transmissions filed during the period was 52. All returns were duly processed and therefore no outstanding returns are pending at year-end. Revenue collected, including prepayments on account and from arrears, totalled €75,007.

**Acquisition of Immovable Property by Non-Residents**

In 2010, the Capital Transfer Duty Division received 314 applications and issued 228 permits.

**Preliminary Agreements**

The Division registered a total of 8,066 Promise-of-Sale Agreements in 2010. Of these, 712 were registered in Gozo.

**Monte di Pietà**

The Monte di Pietà, which is responsible for advancing money on pledges of precious metals, registered the following level of activity during 2010:  

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<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Notarial Deeds Examined</td>
<td>11,775</td>
<td>11,741</td>
<td>12,190</td>
</tr>
<tr>
<td>Referred to CTD Engineers</td>
<td>5,868</td>
<td>4,518</td>
<td>5,975</td>
</tr>
<tr>
<td>Original Assessments Revised</td>
<td>4,549</td>
<td>3,853</td>
<td>4,031</td>
</tr>
<tr>
<td>Objections Filed</td>
<td>1,935</td>
<td>1,516</td>
<td>1,710</td>
</tr>
<tr>
<td>Revised Claims</td>
<td>662</td>
<td>387</td>
<td>670</td>
</tr>
<tr>
<td>Duty on Documents (€)</td>
<td>79,289,491</td>
<td>78,220,861</td>
<td>85,749,854</td>
</tr>
</tbody>
</table>
The number of pledges at hand as at year end 2010 stood at 5,528, against which a total of €542,506 had been advanced. Besides advancing money on pledges, the Monte di Pietà also holds regular Court deposits lodged for safe keeping. At year end, the total deposits held were 526.

**Assay and Valuations Office**

The Assay and Valuations Office is responsible for the administration of the Goldsmiths and Silversmiths Act, which effectively regulates the local, single market and third country levels. In addition to the regular publication of gold and silver valuations in the Government Gazette, the Office conducted the following assay of articles and inspections:

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pledges Accepted</td>
<td>1,462</td>
<td>1,731</td>
<td>1,851</td>
</tr>
<tr>
<td>Pledges Redeemed</td>
<td>2,997</td>
<td>2,032</td>
<td>2,271</td>
</tr>
<tr>
<td>Amount Loaned Out</td>
<td>€158,012</td>
<td>€184,417</td>
<td>€202,266</td>
</tr>
<tr>
<td>Amount Repaid</td>
<td>€310,920</td>
<td>€216,522</td>
<td>€246,824</td>
</tr>
<tr>
<td>Interest Received</td>
<td>€39,397</td>
<td>€21,979</td>
<td>€23,728</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Gold</th>
<th>Silver</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Articles Received</td>
<td>626</td>
<td>2,268</td>
<td>2,894</td>
</tr>
<tr>
<td>Assays</td>
<td>381</td>
<td>138</td>
<td>519</td>
</tr>
<tr>
<td>Articles Weighed and Valued</td>
<td>154</td>
<td>0</td>
<td>154</td>
</tr>
<tr>
<td>Articles of a Lower Standard than as Declared</td>
<td>0</td>
<td>311</td>
<td>311</td>
</tr>
<tr>
<td>Inspections Carried Out</td>
<td>n/a</td>
<td>n/a</td>
<td>10</td>
</tr>
</tbody>
</table>

CARMEL CONTI  
**Commissioner of Inland Revenue**
Management

Like its counterparts in the EU, during the year 2010, 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 Department 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 situation during the year under review, which had an effect on the trade and economic activities of our country and consequently a bearing on the financial results of the Department. The Department 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 challenges of the time. 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 Department in all areas of operations where Community legislation or relations with EU institutions are significant. This function has three major aspects: co-ordination within the Department, liaison with outside entities (besides EU Directorate MFEI, these include the Ministry of Foreign Affairs, the Attorney General’s Office, the Economic Policy Department, the Ministry for Resources and Rural Affairs, Malta Enterprise and others) and the production of substantive EU-related input. During 2010, 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 (for example, following Commission proposals relevant to the Department’s operations and co-ordinating the Department’s reaction to them, etc) and the co-ordination of replies to detailed questionnaires about aspects of customs operations. Other work co-ordinated 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), the 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 as well as Malta Enterprise. The EU Specialist has been a member of the committees set up by the Department to administer the issue of AEO certificates and to draft proposals for the revision of national customs legislation. He also represented the Department on the Sanctions Monitoring Board and acted as the Department’s Data Protection Officer and Freedom of Information Desk Officer.
**ADMINISTRATION**

**Finance Branch**

The total revenue generated by Customs activities in 2010 was €188,292,037, which constitutes an increase of €12,867,422 (7.3%) as compared to the previous year. This revenue performance is considered to be quite satisfactory considering the global economic climate still prevailing at the time. At €11,579,956 as recorded in DAS, income from import duties (Traditional Own Resources) is very comparable to that of the previous year. It should be noted that, according to set obligations, 75% of these import duties income were transferred to the EU, and the other 25% retained by Malta as administration fee. On the other hand, at €175,104,079, income from excise registered an increase of just over €12 million and constituted 93% of the total departmental income. Other Customs incomes such as from licences, fines, fees, rent, service refunds, and sale of items, totalled about €1.6 million. A further amount just exceeding €70 million was collected by Customs as VAT on behalf of the VAT Department.

**Accounts Section**

During 2010, resources were focused on improving the methods of revenue collection and addressing revenue arrears aspects and cases. Other primary roles undertaken included the regular financial reporting to MFEI as well as the Treasury; the expenditure control of the budget allocated to the Department; and the routine daily activities associated with money transfers and transactions, and the general accounting function.

**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 received payments for taxes (import and excise duties and VAT) as well as fees, fines, store rent, proceeds from sales and other miscellaneous items.

**Procurement and Stores Unit**

A total of 1,230 local purchase orders were committed during 2010. Four 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, a new centralised air-conditioning system was procured and installed at the Customs Longroom building. Uniform items were procured and distributed to entitled staff members including special uniforms and winter jackets for container-scanning and boat-crew personnel. Personal protective equipment and other health-and-safety related items were also procured, including with respect to the AH1N1 influenza pandemic. A Board of Survey was set up for the disposal of obsolete and unserviceable inventory items.

**EU Procedures Unit**

The Common Agricultural Policy (CAP) part of 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 EU Member States for these to benefit from the export refund system. Unit staff participated in various meetings with other local entities, including the MRRA Paying Agency and the Malta National Laboratory, and in various CAP meetings 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. The new computerised Tariff Quota System was utilised effectively during the course of the year. A variety of quotas were requested for imports from non-EU countries, and a few quota applications were given partial allocations while some others were refused because there was no balance at the time of application. Prevailing quotas related to: beef imported mostly from Brazil, lamb...
mostly from New Zealand, cheeses mostly from New Zealand and Australia, rice mostly from Thailand, and wine from various countries. During this year, the tuna quotas from Thailand were again not opened, thus Maltese importers could not avail 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 EU Commission, and preparations were started for a DG-TAXUD audit in the regard in early 2011.

**EU Programmes Unit**

During 2010, a total of 342 participants attended 242 Customs-related events abroad. The briefing meeting for operation Scirocco, an XRF equipment seminar related to non-proliferation, a targeting and risk management briefing, and a sub-group meeting on the harmonisation of customs penalties were all held in Malta and attended by delegates from many EU customs administrations and other entities. Information received via the CIRCA system was disseminated, whilst financial records, including also regarding Fiscalis events attended by Customs officials, were inputted into the ART system for real time monitoring by the Commission. A Grant Agreement was signed in March by the Department and the EC, which enabled further funds to be provided to Malta under the Customs 2008-2013 Programme.

**Secretariat Section**

Rent and electricity bills were collected from 31 Bond Operators using the 23 bond stores at the Customs Groupage Terminal at Ħal Far as well as two temporary bond stores at Luqa. The Section dealt with 366 new cases of incorrect declarations, settled 380 current cases and referred 25 to MFEI. Ten applications were received and processed regarding the issue of Customs certificates and other misplaced documents. There were also three new post entries of which one was settled, while 53 instances of garnishee orders or information requests by Law Courts were processed. Twenty-four legal cases regarding arrears of revenue to Customs monitored from here were in progress, of which three were concluded during the year. The Section’s activities contributed to the collection of €581,673 in rents, taxes and fines.

**Human Resources Branch**

**Personnel Section**

In 2010, the internal Customs New Web Portal Working Group reviewed and made plans to update the current website and portal, and complete the related business analysis and technical requirements respectively, so as to render it compatible with the corresponding new European Customs Information Portal (ECIP) which is likewise in progress. The electronic attendance reporting system via e-mail has been active on a daily basis, and advanced preparations made for the introduction of a new attendance verification system as well as for a salaries programme based on the DAKAR system. New appointments of the Director General (Customs), Chief Inspector (Border Control) and Assistant Director (Human Resources) were effected. Family-friendly measures were availed of by 42 customs employees during the year as follows: 10 on long leave, 26 on reduced hours and six on telework. The total complement of customs staff has decreased from 455 to 421 during the course of this year.

**Health and Safety Unit**

Customs implemented several initiatives and measures regarding health and safety during the year. 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 servicing exercise was performed. Several H&S related training courses were organised and delivered to customs personnel, including on: first-aid, fire-fighting, radiation protection, H&S risk assessments, and H&S workers representatives. Various issues were discussed and organised during meetings with the H&S Official and Workers Reps. Testing and engineering certification and servicing of lifts and hoists at customs premises were performed as required by law. Several architect inspections were commissioned and building repairs undertaken. Customs also commissioned eye and eye
sight tests scheme in terms of LN 43/2002, and some 140 eligible staff have already benefitted from it.
Apart from organising the annual ordinary influenza immunisation to all customs staff, the AH1N1 pandemic possibility continued to necessitate particular address by Customs until August 2010. 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. On the basis of this involvement, the Customs Department was the only public service or sector entity to be awarded a certificate by the OHSA during its annual awards ceremony in November 2010.

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. The inventory of all water taps, lighting points and electrical appliances in all customs building was updated, the latter as part of an energy audit. 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, have been encouraged and implemented. Replaced batteries and engine oil of customs cars serviced at the Customs Garage were sent for recycling.

Maintenance Unit

Normal physical embellishment and improvements were carried out at the various customs premises. Faulty floodlights at the Hal Far Groupage Terminal were repaired or replaced, and the container scanning area at the same place was reconstructed. Customs fire-alarm and security alarm systems were serviced and electrical installations made at all the various Customs’ work premises in connection with AVS system requirements. Both in-house as well as externally contracted periodic checks and maintenance has been organised and undertaken for certain mechanical and electrical equipment at the Hal Far Groupage Terminal, Freeport Warehouse and elsewhere. The operational condition of the Customs’ fleet of some 50 vehicles and of the Customs’ motorboat was also seen to. Several plastering, painting and roof-membrane maintenance jobs were also done. A fingerprint access unit has been procured for the customs area at the airport cargo terminal. Drainage system unblocking following a CCTV survey, and rainwater flooding removal, have been undertaken at the Customs Longroom building.

Training Unit

The Training Unit organised 51 training courses totalling 96 mostly half-day sessions. A total of 337 lecturing hours were delivered, 231 hours of which for courses to customs staff and 106 hours for courses to its clients, such as traders, shipping agents and *burdnara*. Total training time received by participants was 4,085 hours. Of the 541 persons invited, a total of 491 (91%) actually attended. The training emphasis this year has been on the newly introduced EMCS and ICT computer-based systems. A total of seven in-house facilitators/trainers and seven external trainers, of whom five were from local and two from foreign organisations, conducted or were involved in these in-house courses. Induction courses were also held for new members of staff at Customs to introduce them to their roles and responsibilities within this specialised work environment. Co-operation was received from several external training entities including OHSA, MPO, MSA, the US Embassy and European Dynamics, and Customs benefited from their tailor-made programmes adapted for Customs’ specific needs. Otherwise, 67 employees attended a total of 91 CDRT organised courses, and a further 82 employees attended other external courses including some at the Malta Red Cross, St John’s Ambulance, University of Malta, FHRD and MEPA. All e-learning modules available to Customs from the EC and WCO have been placed on the Customs Intranet where they are accessible to all employees. An eLearning portal was 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

38 Letters-to-Prosecute and 102 Seizure Notes were compiled and issued. 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 726 court sittings, of which 359 related to civil cases and 367 to criminal cases. The latter included some 24 sittings regarding evasion of duties involving some 20 separate cases each. 573 subpoenas were received from the Police, and Customs personnel regularly assisted Prosecution through the Attorney General’s Office as well as testified in practically all the cases. 13 civil and 77 criminal court cases were decided during the year. There have also been 87 out-of-court administrative settlements, in full or in part, and the total fines collected from all these cases amounted to €196,633 including taxes. Two petitions for presidential pardon were also dealt with, and 3,935 files, mostly legal-related, were processed through by the Section.

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. At present, there are five mobile service providers, one of which the service is still on hold, although authority has been granted to it to operate. All excise movements under duty suspension are monitored via the Administrative Accompanying Document (AAD) or the Internal Administrative Accompanying Document (IAAD). All traders are required to submit regular stock reports to Customs. As to breweries, only one company is producing local beer besides importing beer in bulk. During 2010, the section processed 29 applications for the status of Excise Registered Trader (ERT), of which three are still being processed and one withheld. There were also three new applications from traders to act as tax warehouse keepers. It is to be noted that 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 being importers of wines and spirituous beverages. Three of these producers are situated in Gozo. One local producer of wine requested to begin producing fortified wine. Although authorised, the process is still being tested and has not yet been offered for sale. 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. During the year, there were four producers of pipe tobacco or cigars. These producers were also importers of roll-your-own tobacco for cigarettes, pipe tobacco and cigars. Five other tax warehouse keepers were dealing with importation and distribution of cigarettes under duty suspension.

Tax Warehouses

This Unit monitors tax warehouses at Barriera Tax Warehouse (BTW) and private tax warehouse keepers. Stock controls were performed as necessary during the year and monthly statements were checked regularly. There were 40 tax warehouses registered to operate from BTW, and 28 were operating from their private premises during 2010. One new tax warehouse keeper started operating from BTW while two private tax warehouse keepers ceased to operate during this year. New applicants for tax warehouse keepers are being encouraged to operate from BTW.
Fuel Excise

This Section monitors all fuel moved under duty suspension and ensures the proper payment of taxes and duty due on fuel released for consumption. Monitoring involves 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 internal accompanied administrative document (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, especially in the LPG area, continued to be implemented during the year and this section therefore adopted the first changes to be able to manage efficiently this new scenario.

Heating Gas Oil

The objective of this Unit is to monitor and control all issues of heating gas oil with a 0.1% sulphur content. The product is distributed solely for heating purposes and is used by an extensive number of industries, hotels, bakers, farms and several other entities. It is also used for domestic heating in several households throughout Malta and Gozo. During 2010 again, a number of abusers were identified and action has been taken against them. Recently the Unit embarked on sending a written communication and a questionnaire to all users so as to present more awareness on its use and explain the repercussions of misuse. The response from all users was quite encouraging and in turn contributed valuable information towards the Unit.

Excise Liaison Office

This Office deals with the maintaining and updating of the Community’s System for Exchange of Excise Data (SEED) database, covering all the excise registered traders, tax warehouse keepers and tax warehouses. This office is also responsible for four mail boxes: the Early Warning System for Excise (EWSE), Movement Verification System (MVS), the SEED, as well as ELO (Excise Liaison Office) to ELO mailbox. The newly introduced Excise Movement Control System (EMCS) has been fully monitored and maintained by this office. The Excise Liaison Office liaises with its counterparts in all Member States and takes an active part during the Excise Committee Working Party meetings. It is also responsible for the National Project Plan as well as the monthly development plans.

Computer Systems

The Computer Section continuously supported on a daily basis both traders and customs personnel in the use of the IT systems. Meanwhile, members of the Section kept abreast with the discussions, preparations and developments of IT projects forming part of the EU Multi-Annual Strategic Programme (MASP). This required a lot of time and involvement analysing the functional and technical specifications of the systems to be introduced or upgraded. Moreover, the participation of personnel from the Section in meetings and training courses held by the European Commission was essential for the smooth implementation of upgrades and new IT Systems. User acceptance testing is another area that the Section was responsible for. During 2010, before the deployment of upgrades and new systems, intensive tests were carried out to minimise the risk of having problems during the implementation in the live environment. Some of the systems upgraded or introduced include the Import Module, the Export Module, the Warehousing Module, the Accounts Module, the Manifest Module, Reference Tables Module (reftab), the Economic Operator System (EOS) which replaced the Business Registry, TARIC3, the Summary Declaration Module, the Risk Management Module (CRMS) and the Excise Movement Control System (EMCS). Besides the responsibility of the testing and administration of the above Customs Electronic System (CES) developments, other specialised IT demands on the Computer Section originated from various EU legislations such as the Modernised Customs Code (Regulation 450/2008) and Decision
The main objectives were: to make national electronic customs systems of the respective Member States compatible with each other; to introduce EU-wide electronic risk analysis; to improve information exchange; to make electronic declarations the rule; to simplify customs procedures; to introduce a centralised customs clearance arrangement; and to generate a paperless environment for customs and trade.

**IT Centre**

The Customs IT Centre dealt with all IT-related hardware issues, including networks, PC-related software and customs user support and services. In 2010, the major issues were the installations of more computer hardware including printers, provision of support regarding network connectivity, installations and upgrades of various applications used by the Department, as well as the repair of several numbers of PCs and other hardware.

**Transit and Free Zones**

The monitoring of transit movements proceeded smoothly through the computerised transit system (NCTS). System stability and availability remained well within Community targets. 119 transit movements were opened by Malta as country of departure, whereas 2,128 movements were handled as country of destination. The local transit installation (MCC) underwent further upgrade under the collaborative contract comprising the customs administrations of Malta, Ireland, Sweden and The Netherlands with maintenance and support from foreign software contractor Intrasoft. System operation and functionality was reviewed during various meetings of the EC Electronic Customs Group (ECG), as well as the Change Management Board set up with Intrasoft. Control of stocks at the free warehouses within the Malta Freeport was carried out on the basis of documented records.

**Customs Warehousing**

This Unit is responsible for 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. 252 containers were warehoused during the year 2010. Nine new customs warehouses were approved whilst two ceased to operate. A total of 1,648 new non-EU vehicles were warehoused, 1,526 units were released for home use, whilst 41 units were shipped to other EU member states after payment of relative duty. Revenue from new vehicles amounted to €864,250 import duty and €1,891,504 VAT. 54 second-hand non-EU vehicles were released for home use on which €49,210 import duty and €71,426 VAT were collected. €779,525 import duty and €201,638 VAT were collected from other goods released from customs warehouses. Regarding the Newport Bonded Stores operating under this Unit, rent collected from goods released from these stores and from transfer in bonds amounted to €1,213 and €7,500 respectively, whilst import duty, VAT and excise duty collected were €2,082, €12,318 and €1,076 respectively. There were eight lots received for safe custody whilst there were two lots released ex safe custody. Two auction sales were held in 2010; the total income derived from this sale amounted to €124,105.

**Compliance**

This Directorate is responsible for the collection of import duties and ensures compliance with EU import regulations namely the Customs Code and its Implementing Provisions. The revenue generated this year indicates that economic activity is slowly picking up. No efforts have been spared to introduce new facilitations to local industry and to economic operators in general. This year, facilitations were introduced to aircraft maintenance operators who were guaranteed release of aircraft parts 24x7 without any extra overtime expense. It has long been felt that the export of courier bags from the Departures lounge at MIA was not such an ideal situation. On Customs initiative and thanks to the investment by Air Malta, export of courier bags has been relocated to the Aerospeed facility operated by Air Malta at the Old Terminal building. This move proved to be more convenient and cost-effective for express cargo operators who can
now accept despatches for later times of the day. Throughout the year there was continuous dialogue with all stakeholders involved in the supply chain. This enabled Customs to achieve 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. The implementation of the AEO (Authorised Economic Operator) programme continued throughout 2010. So far, eight traders have been granted the AEO status. From this year, AEOs were given the opportunity to apply for indirect representation and thus benefit from the deferred payment facility. The deferred payment facility allows operators to benefit from a 30 day credit in the payment of taxes. A working group was set up within this Directorate to review customs national legislation. The main objective of this working group is to remove any irrelevant articles and review customs penalties. Talks are at an advanced stage with Maltapost plc to decentralise the release of parcels valued at €150 and under to local branches.

**PROCESSING SERVICES**

The introduction of more simplified procedures to the growing number of Authorised Economic Operators is also benefiting Customs through the gradual easing of the workload in a number of sections. The ever increasing role of risk management and better focusing of resources in all areas of customs control have made it possible to ‘do more with less’. Notwithstanding the drain on our workforce through natural depletion, it was possible to retain all the controls and services provided by Customs.

**Verification Unit**

The main target of the Verification Unit is to concentrate on post clearance controls. The Unit is characterised by the need to balance facilitation for the traders and on the other hand ensure that all taxes due are paid. The procedure which began last year where copies of supporting documents of consignments not selected for control were collected prior to release of goods instead of waiting for traders to submit the said documents gave very positive results. This procedure, which initially was limited to unitised and groupage cargo, was extended to include Airfreight, Courier, Parcel Post, Deep Water Quay and Laboratory Wharf. Post clearance documentary checks of consignments not selected for control increased to 14,034 and resulted in the collection of €149,321 taxes and fines. Co-operation with Post Clearance Audit Unit resulted in 17 cases of incorrect declarations, unearthed by officers at the Verification Unit, being passed on to PCA for further investigation. As from 1 July 2010, only original T2L documents were considered valid for the issue of gate passes in respect of Community goods. 12,938 intra-community T2L documentary checks have been made leading to 17 referrals to post Clearance audits whereas 31,131 gate passes were issued at Freeport. The said T2L documents were being retained at the Unit for post clearance checking and possible investigations.

**Valuation Section**

This Section is a reference point on price values to the Department, business community and private individuals, and participates regularly in the EC Valuation Committee. It carried out both documentary as well as physical inspection of goods referred for valuation purposes, including re: 3,275 second-hand cars, two motorcycles, 13 boats and two ships. It also dealt with the valuation of duty free vehicles of private individuals who wished to dispose of their vehicles and therefore had to pay the customs duty due. During the year, 71 valuation exercises were undertaken on motor vehicles which fall under this category. An important valuation exercise has been with respect to shoes and textiles imported under the Onward Supply Relief procedure, as the declared price values on the invoices produced seemed unrealistic. Since no other documents were produced to prove these values, the fall-back method as specified under the Community Customs Code was utilised to establish a reasonable and fair commercial value. Furthermore, Customs Enforcement referred 54 cases of seized goods, mostly cigarettes, spirits and fuel, for valuation purposes, and Section employees represented the Department in 100 court cases regarding these issues.
Binding Tariff Information Unit (BTI) and the Customs Analyst

The main activity of the Binding Tariff Information Unit (BTIU) is the classification of goods. Information on classification matters was requested by Traders, Customs Clearance Agents and even releasing officers at time of release or during document processing. Often samples were also referred to this Unit for further discussions and guidance. Queries were sometimes received from other Member States requesting classification opinions of various products. This method of consultation is commonly used by all Member States, sometimes even Malta, so as to try to obtain a ‘quick’ opinion and avoid having to pursue the matter further with the Commission, and thus certain unnecessary delays in classification decisions are avoided. The Customs Laboratory carried out analyses on fuel samples and other materials. The Customs Scientific Officer assisted and advised BTIU officers in the classification of food and chemical products forwarded to them. During 2010, the Laboratory carried out analyses on 388 gasoil samples, submitted by the Excise Control Unit and the Enforcement Unit to determine the presence of solvent yellow, national marker or both. Other analyses were carried out on cooking brandy, disposable nappies and footwear to determine their constituent material. Since the Customs Laboratory is not equipped to analyse all types of referrals, 14 samples were referred to foreign laboratories during 2010. During this year, 40 new BTI applications were received by the Unit, and all were published in the European Union EBTI-3 database. Thirty-four of these new applications, as well as nine other pending from 2009, were processed and their relative BTIs issued accordingly.

Customs Economic Procedures Unit (CEPU)

During the year, 2,731 T2L documents were manually processed at this Unit, while 570 authorisations for various Preferential Customs Procedure Codes were activated in the Business Registry. CEPU processed 610 claims for refund of import duty paid under the Drawback System and created 111 T1s, while 102 movements were written off and settled. Fourteen Temporary Importation declarations were newly registered and five settled. A total of €508.1 certificates and 183 ATRs were issued, whereas eight EUR-MED and 64 GSP FORM A Certificates were drawn up. Burdnara Licence and ID card fees were collected. There were 2,469 CEPU operations for which customs personnel attendance was requested during this year.

Binding Origin Information Unit (BOI)

When invoices presented at time of importation are undervalued, these may result into evasion of import duty, anti-dumping duty and VAT. The number of certificates submitted for verification to third countries during 2010 was 49, of which 11 were non-preferential Certificates of Origin which covered mainly products that could be subject to anti-dumping duties. These included plastic bags, bicycles, shoes and man-hole covers and were sent to China, Taiwan and the United Arab Emirates. Of the 26 Certificates of Origin FORM A that were forwarded for verification, seven and five respectively covered single consignments of office stationery and fashion ware and were referred to Malaysia and Brazil. Of the other FORM A certificates that were sent to other ten different countries, seven covered the importation of plastic bags and bicycles and were sent to China, Vietnam and Indonesia. Two of the non-preferential Certificates of Origin and five of the FORM A certificates were sent to China mainly for the verification of the invoice values. The other certificates sent for verification were: Nine EUR.1s to Croatia, Turkey, Egypt, Norway, Tanzania and Tunisia, and three ATR certificates to Turkey. The Unit also gave a positive answer to four requests for subsequent verification of certificates issued in Malta. Three of these were received from Greece regarding Replacement Certificates, and the other one was received from Serbia regarding a EUR.1 and covered a consignment of pharmaceuticals. On its part, the Unit also received the result of 31 certificates, all of which turned out to be positive.
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 1186/09. In this regard, for example, there were 194 new applications for importation of personal effects. A total of 17,974 export declarations by traders as well as 2,620 transhipment and shipping bills were processed (including registration, checking, vetting, authorising and settling after export) and several EU TARIC Database queries dealt with. The Section also handled 191 claims for refund of overpaid duties and processed 397 Garnishee Orders and Counter Warrants. It also compiled the daily booking list for containers selected for control. 5,279 import and 2,265 export declarations submitted by the traders were entered manually by staff into the Customs Electronic System (CES), apart from also registering and inputting statistical data contained in 56,216 ‘intrastat’ forms presented by traders. This Section also saw to: the registration of 825 new importers, administering CES user accounts, issuing 3,930 printouts of declarations upon request, selling of customs forms to the public, and monitoring the status of 43 yachts and pleasure sea craft.

Archives/Records Office

During the year, this office stored 3,450 and retrieved 1,028 archived files, besides making document insertions within, as referred and requested by the Registry Office at Customs. It also sorted out 6,500 export documents and 1,400 TSB documents referred to it from a number of other customs sections.

Risk Management Unit

This Unit was mainly responsible for creating 253 and updating 120 specific profiles in the Risk Analysis System, whereas 133 existing profiles were deactivated. The profiles were compiled on information or data submitted by: the European anti-fraud agency OLAF regarding 31 Mutual Assistance Alerts; the Risk Management of DG TAXUD through 1,052 Risk Information Form instances; and local Intelligence Services through 137 alerts and other reports. Regular maintenance was executed on the Risk Analysis module all year round. There was an active communication network between Risk Management and other key internal sections within the Customs Department such as Intelligence and Post Clearance Audit. In fact 34 alerts were passed on from RMU to PCA. The Risk Management Unit supported the AEO Unit in the vetting of compliance audits on AEO applicants and security monitoring on AEO certified operators. Six such compliance audits and five monitoring inspections were carried out. The Unit organised eight blended training seminars on Container Examination and Documentation Checks to all releasing officers, based on the e-learning EC programme in this regard, as well as the Guidelines Manual created by the Unit itself. This manual proved to be a useful tool to Customs releasing officers. The monitoring of the Import Module in the Customs Electronic System (CES) was performed by this Unit, which dealt with all declarations in the two-hour time-out and checks the documentation on full load containers that were selected for control by the system prior to release of the goods. The Unit also monitored the Export Electronic System. Up to the end of 2010, control selection was still on a manual basis but an agreement had been reached with the system’s software provider to render this procedure electronically generated.

LANDING AND RELEASING

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

Deep Water Quay (DWQ)

During 2010, a total of 137 vessels discharged and/or loaded cargo at the DWQ. Discharges included 5,391 full load container or trailer units, 60,467 tonnes of conventional cargo and 5,527 cars. Loaded from here were also 997 “C” status container or trailer units. A new ferry service operated by S Mifsud & Sons
commenced a weekly schedule from Chioggia and Augusta in Italy in September, but proved to be short lived and ceased operations by the end of October. When the sheds at Deep Water Quay operated by VGT were leased to a filming company for studio filming, the Customs Department co-operated to ensure that terminal security and other daily operations are not affected during the construction of the set and filming.

**Examination Shed**

During the year, 2,871 container or trailer units from non-EU countries were selected for control, examined and released, including 1,078 units examined at premises of importers and 534 units examined at General Examination Shed located at the Customs Hal Far premises. 480 units were scanned by the Customs mobile container scanner, 1,259 were ‘quick released’, and 129 post entries were raised. Additional revenue collected on the basis of discrepancies noted amounted to €90,820. On various occasions, other customs personnel from Weighers and Enforcement (Intellectual Property Rights and Drug Squad) were present during releases. Regular consultation was also made with other government regulatory bodies namely; Veterinary Services, Environmental Health Department, Plant Health Department and Malta Standards Authority. Their clearances were sought to ensure that products allowed to be released on the local market were safe for consumers.

**Parcel Post Office**

This has been another busy year for the Customs Parcel Post Office and e-commerce purchases resulted in the Customs’ revenue collected here to continue to increase over recent previous years, now to €787,871. 15,183 parcels from Non-EU countries, 2,584 from EU countries and 1,592 EMS types were examined here in 2010, and about 500 of these were also scanned on the x-ray machine belonging to the Department and located here. Several parcels were withheld for various reasons, ranging from fake medicine and satellite receivers, to concealed gold jewellery and endangered plants.

**Courier Office**

This Office experienced a significantly increased activity mostly as a result of e-commerce in 2010. During this year, 25,327 TDIDs were released, of which more than half were selected for control. 256,758 cartons and bags passed through here, of which 57,301 (22%) were non-EU. 3,583 consignments were scanned on the x-ray machine located at the office. 450 TSBs were raised, while another 393 were dispatched under escort. The total revenue collected was €2,845,394. Half-way through the year, on the initiative of the Customs Department, the export of courier bags was relocated from the Departure lounge at MIA to the Air Malta courier facility at the Old Terminal building. This move proved to be more convenient and cost-effective to courier operators. Several packets containing dangerous substances were withheld, and several cases of importations of mephedrone (meow-meow) were referred to the police authorities. The legislation was eventually amended to include this substance as being illegal. In the course of inspections and apart from the Police Anti-Drug Squad, various parcels were also referred for clearance by other government entities, namely: the Port Health Office, Consul for Gold and Silver, CITES, Veterinary Services, Police Weapons Office, Immigration Police, Malta Standards Authority, and Plant Health Department.

**Airfreight**

This Section was responsible for the control of cargo landed at the Air Malta cargo terminal and the GlobeGround shed located at the MIA cargo village. A total of 6,149 manifests were handled by this Section, and 9,381 import declarations were received and processed, of which 2,182 were selected for control. Total revenue collected by Customs here, including customs and excise duties, deposits and VAT, amounted to €8,513,935. Visits from Customs Enforcement and Intelligence officials were very regular and useful regarding false declarations and concealment of goods, 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 2,622 pratiques were carried out, of which 1,668 related to vessels coming from non-EU countries. 32,102 containers were despatched from here for local consumption, of which 11,760 were of a non-EU status and released for free circulation. Another 299 units were released for transhipment.

**Groupage Complex**

4,089 units entered the complex located at Hal Far, of which 1,023 were non-EU. Random tallying was carried out on 372 non-EU and 64 EU units. There were also 1,099 spot checks carried out by officials at the gate. This data is partial, since it excludes unrecorded amounts over the 3½ summer months due to industrial action that occurred here. 31 groupage operators made use of this temporary storage facility in 2010. During the summer half-days, traders were able to collect goods in free circulation up to 15.30 hours without any extra charge. Periodic meetings were held between the Customs management and both the Association of Groupage Operators and the GRTU as representative of the burdena to discuss matters of mutual interest re the Customs Hal Far Terminal. Revenue collected here in 2010 totalled €8,182,436.

**Laboratory Wharf**

This Section was responsible for the supervision of goods landed from 503 sea vessels at Laboratory Wharf, Coal Wharf and the Grain Silo. 458 containers were transferred from Malta Freeport to here, there were 777 gate searches, 2,084 ECNs/MRNs were processed, and 47 manifest amendments made. Discharged from here amongst others were: 12,726 container or trailer units of which 571 were from non-EU, 9405 vehicles, 32 boats, 75 horses, 6300 poultry, 300 pigs, 274 cattle, 606 rabbits, 589,000 fish, 320,700 tonnes of bulk cargo including cement, and 146,121 tonnes of cereals. Loaded from here amongst others were: 3,154 container or trailer units of which 702 were to non-EU, 1,713 cars, 11 trucks, 1,012 tonnes of bulk cargo, 29,700 tonnes of cereals and 23,944 tonnes of scrap metal. The Customs Office here was transferred from the old Polverista building to a new mobile office within the same area. Revenue collected was €420,598.

**Malta Shipyards**

The Italian company Palumbo Shipyard Group, which took over the management of the Malta Shipyards during the year, requested Customs that the area is no longer to be considered as a customs area of Temporary Storage. Palumbo proposed to make use of one of the customs procedures with economic impact provided for in the Customs Code, and in September applied for the ‘end use’ facility. Since then, the Customs permanent presence at the shipyards has been discontinued. The Super Yacht facility is intended to follow suit once the privatisation process is finalised. Until September, four containers or trailers were checked and released from here. Activity of customs interest including the sale or disposal of metal held here continued to be monitored by the Department. Revenue collected was €16,480.

**Weighing Section**

This small section consists of a Senior Customs Weigher supported by a pool of eight Senior Clerks. These clerks were trained to perform the same duties of a customs weigher. During the year, six of these senior clerks were detailed to releasing duties and replaced by three other senior clerks. In September, the Weigher’s Office was relocated to the Luqa Airfreight Office Complex. Weighing fees collected amounted to €1,630.
ENFORCEMENT

Investigations & Intelligence Branch

As in previous years, the Head Office of this Branch co-ordinated the local, EU and international administrative and operational activities in anti-fraud matters and illicit drug trafficking. Meetings abroad were regularly attended and contributed to respectively regarding the EU Customs Co-operation Working Party (CCWP) and Mutual Assistance Committee (MAC). The CCWP is the co-ordinating group within the Council’s structure with responsibility for taking forward initiatives in the field of customs co-operation, 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. Five of these operations were tailored to include participation also by third countries. Operation SIROCCO was co-ordinated with the ‘Union for the Mediterranean’ countries, while the other operations namely ATHENA II, PCA ALCHEMIST, PANGEA 2 and MAX 22 involved other non-EU countries. The MAC had been engaged in significant amendments to Reg. EC 515/97 concerning mutual assistance between the administrative authorities of the EU Member States, and co-operation between them and the Commission to ensure the correct application of the law on customs and agricultural matters. The year 2010 also saw the launching of the MAB (Mutual Assistance Brokers) which is operated through 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 co-ordinated with local agencies such as the Police, AFM, MSA and the VAT Department. Input by this office was also crucial for the favourable response obtained from the EC regarding the application for the funds obtained following the agreement between JTI (Japan Tobacco International) the EC and its Member States as well as other agreements with PMI (Philip Morris International) BAT (British American Tobacco) and ITL (Imperial Tobacco Ltd.).

Non-Proliferation Unit

The Non Proliferation Unit carried out 115 documentary checks, divided as follows: 80 on maritime consignments in transhipment, 30 on airfreight cargo and five on local exports. 60 of the maritime consignments were also inspected and 14 of them were withheld, as the items concerned required export clearance prior to shipping to their destination. Besides, 12 airfreight and courier consignments in transhipment and five local export consignments were also inspected for non-proliferation purposes. In addition, two cargo aircrafts loaded with military equipment were temporarily withheld pending the production of export authorisation by the Director of Trade. All of the withheld consignments were eventually released once the export authorisations were issued. The NPU pursued its Industry Outreach programme and several meetings were held with different operators likely to handle dual-use goods or military equipment.

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

PCA/EPEU personnel carried out 291 visits to premises of traders. These led to the raising of 13 post-entries and the sum of €8,902 was collected in duties and other taxes. Officials from the Unit were also involved in the process leading to the granting of the AEO (Authorised Economic Operator) status to certain traders and shipping agencies.

Container Monitoring Unit (CMU)

A total of 1,689 vessels’ manifests, collectively carrying 672,765 transhipment containers which were landed at Malta Freeport, were reviewed leading to the scanning of 6,902 containers. 1,128 of these
containers were furthermore physically examined, resulting into the seizure of the contents from 55 of them. 7,056 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. The Nuctech mobile container scanner resumed scanning containers at Hal Far Groupage Complex, as from 16 September 2010, after repairs were satisfactory carried out. 781 containers or trailers units from both third countries and intra community states were scanned there by the Nuctech team.

**Special Investigation and Action Team (SIAT)**

This Unit tallied 64 containers and carried out over 1,063 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 units dispatched from other stations such as Deep Water Quay, Laboratory Wharf and Malta Freeport Terminal.

**Enforcement Unit**

This Unit conducted 17 drugs seizures, of which 13 were related to passengers arriving by air via an EU airport, two seizures from trailers arriving by sea and two seizures at the Courier’s office. Drugs seized included: 5.3kgs heroin, 3.3kgs cocaine, 10kgs cannabis Resin and 0.6gms herbal cannabis. The Unit also accomplished seven seizures containing 5.8kgs Mephedrone, before this substance was included in Ch 31 (Medical and Kindred Professions Ordinance) by LN424 of 2010 and 23 suitcases stuffed with the plant khat which contains the alkaloid Cathinone (amphetamine-like stimulant). Concealment methods included: eight cases of swallowers/stuffers, three cases in luggage of which had false bottoms, two cases of shoes with hollow soles and nine mephedrone cases involving a courier parcel. Controls at the airport also resulted in the seizure of 145,760 cigarettes, 1,049 pairs fake sport-shoes, 203 packets of fake medicine and five bird-skins (under CITES Regs.). 869 ‘cash control’ checks yielded five positive results, and a total of €96,320 was withheld. Enforcement staff also responded to 82 alerts raised by the radiation portals at the Airfreight sheds. Various surveillance duties and 595 searches at open-air markets or commercial outlets for illegal excise goods gave 35 positive results leading to the seizure of a further 176,057 cigarettes, 750grms hand rolling tobacco and 88 alcohol bottles. Two vehicles were also withheld pending investigations. Eight searches on vessels and yachts also yielded one positive result involving 51,400 contraband cigarettes which were then seized. The fight against the illegal importation of fuel was intensified and 173 fuel samples were elevated from various service stations, tanks or reservoirs in private yards, as well as vehicles or heavy equipment, of which 23 samples yielded a positive. Five road tankers/mechanical-horses loaded with contraband fuel were also withheld. This fuel amounted to 57,618 litres of gas oil and 2,060 litres of light heating oil. 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 Container Monitoring Unit, various containers in transit were seized as their contents were inconsistent with their manifest declaration. Such seizures included 24,880,000 genuine cigarettes and 420,952 alcoholic beverages. The Unit also supervised the destruction of 77,040,000 cigarettes, 700kgs tobacco, and 77 duty-free vehicles, whereas eight other vehicles were surrendered to Customs and 13 others transferred to other government departments. €124,133 was collected as dues from various importers, as well as a further €76,583 as store rent. Inspections of merchandise in conjunction with VAT officials were carried out on 46 occasions. 982 containers were inspected for IPR infringements, of which 49 transhipment containers loaded with counterfeit goods were withheld by the IPR Unit. 111 IPR cases were registered with 53 leading to legal action, and another 37 cases settled out of court. 2,599,032 counterfeit items in transit and 10,766 counterfeit goods intended for the domestic market were detained. Such items detained included: mobile phones and accessories, satellite receivers, memory sticks adaptors, razor blades, shampoos, shower gels, sport shoes, other footwear, spectacles, soap bars, wrist watches, outerwear, toothpaste, tooth brushes, wallets, and medicines (esp. Cialis 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, counterfeit medicines, drug precursors, cash, and counterfeit or contraband cigarettes.

**Customs Intelligence Services (CIS)**

During 2010, the CIS continued with its primary task of vetting sea and air manifests for passengers and cargo in connection with the evasion of Customs, Excise and Anti-Dumping duties and VAT. Fraud, contraband in general, illegal export or import of cash, counterfeit and rejected goods and particularly the interdiction of narcotic drugs and fake medicine were also tackled by this Section. Of note was the significant amount of seizures made of new synthetic drugs and other common narcotic drugs. The Section issued a total of 1,334 passenger and cargo alerts. From all alerts issued from here, 15 ‘passenger’ and 94 ‘cargo’ resulted positive. 1,052 RIF alerts were received from and/or forwarded to other EU Member States. Co-operation with other enforcement agencies, both local and foreign, has been intensified. Information sharing is deemed crucial and the CIS was very active in the dissemination and exchange of comprehensive or specific risk related information. The CIS has supported other customs units during several EU-wide Joint Customs Operations. CIS staff participated and contributed in 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 to formulate counter-measures which are aimed at maximising the performance of this Section.

**Frontier Control**

The main duties of this Branch included: the inwards and outwards clearance of sea vessels, pleasure crafts, aircrafts and passengers; censorship of video tapes, DVDs, and software; watching over and escorting of non-customed goods; patrols 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 and inspection and certification of accompanied goods exported from Malta on which VAT refund would have been claimed. Besides the collection of the appropriate taxes (Import & Excise Duties, and VAT), implementation of strict vigilance was necessary to curb importations of restricted and prohibited goods including flora and fauna. Since EU Accession by Malta, the roles and responsibilities in this area have increased and become more complex. This Branch had to keep constant liaison with all stakeholders concerned and co-ordinate its resources accordingly to address particular issues.

**Yacht Marinas**

The Customs offices for the main yacht marinas are located at Marsamxetto Harbour; the Grand Harbour and Gozo. The office for Marsamxetto was reopened recently and is being relocated to new premises at the ex-Torpedo Depot garden in Pieta’. In 2010, there were 557 arrivals and 438 departures of pleasure crafts from and to EU Member States, which crafts requested customs services. Arrivals and departures from and to non-EU Member States amounted to 200 and 150 respectively. Marsamxetto Harbour was responsible for 54% of the total departures, the Grand Harbour for 32%, and Gozo for 14%.

**Customs Baggage Room (aka Seaport)**

This Section operated on a 24x7 basis and thus took over all the additional responsibilities of the Yacht Marina offices after normal working hours. During this year, 5,729 commercial vessels arrived in Malta, 3,289 of which from non-EU countries, while 5,734 vessels were cleared outwards. These figures relate to all harbours, that is the Grand Harbour, Marsamxetto, Marsaxlokk and Mgarr Gozo. 97 rummages were conducted on incoming vessels. There were 117,356 arriving and 110,959 departing passengers to/from Malta via seaport, apart from 454,195 other passengers from cruise liners. There were also 15,324 accompanied vehicles which arrived in Malta, and 13,343 such vehicles which departed. This Section processed 1,517 Transhipment Shipping Bills, 2,297 duty-free deliveries and 5,730 fuel stores
authorisations. Currency spot-checks on incoming/and outgoing passengers totalled 896, while 1,278 searches were carried out at the various customs areas entry and exit gates.

**Airport**

A total of 2,961 aircrafts arriving from non-EU countries landed in Malta in 2010. The total Import & Excise Duties and VAT taxes collected amounted to €42,779, with a further €374 collected as fines on dutiable goods undeclared by passengers passing through the Green Channel. Freight landed at the airport amounted to 6,154,604kgs, whilst 4,949,547kgs were exported. Passenger arrivals from non-EU countries amounted to 201,278, of whom 7,762 were in transit, whereas 188,710 passengers, of whom 8,655 were in transit, departed from Malta. 372 currency control checks were carried out on incoming and outgoing passengers. 13 seizures of meat or meat products and seven seizures of milk products, amounting to just over 49kgs in total were effected, which goods were all destroyed by incineration. Other roles undertaken by Customs at the airport related to: safety and security of EU citizens and others; protection of the environment and flora/fauna species; safeguarding against restricted or illegal importations including by being vigilant for IPR infringing goods and evasion of anti dumping restrictions. This Section operated on a 24x7 basis.

**Prohibitions and Restrictions**

1,238 out of a total of 15,749 items of recorded media submitted to Customs for vetting were viewed and assessed. From these, 11 were withheld whereas the rest were released. Eight of those withheld were referred by the importers concerned to the Printed Matter Appeals Board. Taxes collected through this function amounted to €53,414.

**Detail Section**

This Section operated on a 24x7 basis. It was primarily involved in the deployment of customs officials, particularly Senior Customs Assistants to the various customs stations or gates. Weekly rosters of duties of Customs Class personnel were prepared and distributed from here to all section heads and the Customs Management team. This Section was also involved in receiving requests and replying to queries from traders and/or their representatives in connection with the so-called merchants’ requests for the services rendered by customs officials. Other functions carried out regularly at the Detail Section included the checking and inputting of data in connection with attendances of Customs Class personnel. This latter function entailed continuous close liaison with the Customs Personnel Section.

**JOSEPH P BRINCAT**

*Director General (Customs)*
INTRODUCTION

The Treasury Department has the responsibility to maintain an effective accounting methodology and relevant accounting systems across Government; monitor and effect disbursements on behalf of line ministries and departments; oversee Government's cash flow position; and raise the necessary finances to service the government’s obligations and commitments.

In order to fulfil its mission statement, the Department is split into two main directorates, namely the Debt Management and the Government Accounts Directorates.

DEBT MANAGEMENT DIRECTORATE

Role and function

Established in December 2006, the Directorate is responsible for the operational dimensions of debt and cash management for the central government and for providing specified funding requirements as authorised by Parliament.

The principal objective of the Directorate in its debt management activity is to raise funds as well as carry out other financial transactions in such a way as to ensure that:

- the central government borrowing programme (short and long term) is financed prudently and cost effectively consistent with an acceptable level of risk;
- the annual debt servicing costs are met at the lowest possible cost;
- the development of the domestic financial markets is given the necessary support; and
- the liquidity of government funds is adequate to meet Government’s financial commitments/obligations as and when they fall due.

The organisational structure of the Directorate reflects international standards. In line with this practice, it is divided into a Front, Middle and Back Office to ensure a clear division of responsibilities.

The Front office executes government debt policy regarding the issuance of government securities, the Middle office undertakes market research and analysis, while the Back office deals with registration and administration and settlements of central government debt.

Until now, 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 finance any temporary shortfall in government revenue, the Treasury 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 of Malta’s debt portfolio also includes foreign loans, set up as bilateral agreements with foreign governments and international institutions.
International Institutions

Credit Rating Agencies

In July 2010, the Directorate participated, as in previous years, in a meeting held at the Ministry of Finance with Standard and Poor’s, during which debt management matters were discussed. 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 such agencies.

International Monetary Fund

Moreover, the Directorate gave also its inputs towards the Article IV consultation process carried out by the International Monetary Fund’s (IMF) mission which visited Malta during November 2010. The IMF Staff Report for the 2010 Article IV Consultation was eventually completed on 6 January 2011 and released on 24 January 2011.

Economic and Financial Committee (EFC)

During the year 2010, the Directorate continued to attend 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 and holds regular discussions mostly related to the technical aspects of debt management with a view to identifying key issues and risks. The sub-committee promotes the sharing of experiences among the 27 EU Member States and supports Member States in identifying and implementing best practice in government debt management.

Three meetings were held during the course of the year which focused mainly on the implications of larger government financing needs by EU Member States and market volatility.

Turkish Cypriot Community Study Visit to Malta

In May 2010, the Directorate participated in a study visit programme organised for the Turkish Cypriot Community by the European Commission under the Technical Assistance and Information Exchange (TAIEX) initiative.

The Directorate delivered a presentation about the administrative set-up, development and functions of the Debt Management Directorate which was followed by a practical demonstration on the conduct of weekly auction of Treasury Bills. During this session, the Turkish Cypriot Community was given the opportunity to gain first hand experience of the administrative procedures adopted in the Treasury Bills auctioning process.

Financial Markets Committee

The Debt Management Directorate was invited to participate in the Financial Markets Committee (FMC) organised by the Central Bank of Malta for treasury officials of the local credit institutions.

The Debt Management Directorate attended twice (in April and October), with the intention of increasing exposure and explaining the various duties taken care of by the Directorate whilst getting feedback by the private sector on market conditions and investor sentiment.
Other Institutions

During the course of the year, the Directorate together with the Central Bank of Malta held meetings with foreign banking institutions, during which emerging issues in the global and domestic Sovereign Bond and Bills Markets were discussed. In April, the Directorate took part in a meeting of the DG – ECFIN held at the Ministry of Finance.

DEBT MANAGEMENT OPERATIONS

Treasury Bills

The statutory basis for the issuance of Treasury bills is set out under Malta Treasury Bills Act, Cap.133. 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 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 bills market.

Treasury bills are offered by public auction on a weekly basis, normally on Tuesday of the auction week 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 from 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.

Chart 1 illustrates the maturity profile of the outstanding balance of Treasury bills as at end of 2010. The outstanding stock balance of €377.76 million at end of 2010 represents a decrease of €96.38 million over the amount outstanding at end of 2009.

Treasury Bills Issuance Programme

The issuances focused mainly on the 91-day and the 182-day tenor (representing 42.5% and 34.3% of total volume issued respectively). The primary market yields for the 91-day T-bill fluctuated between a maximum of 1.319% (on 8 January 2010) and a minimum of 0.531% (on 28 May 2010).

The primary market yield of the 182-day T-bill peaked at 1.399% (on 8 January 2010) and was lowest at 0.667% (on 28 May 2010). Such interest rates for temporary borrowing are determined by the money market which in turn is influenced by the repo market rates.
The total offers accepted by the Treasury throughout the year 2010 amounted to €1,245.19 million, categorised by tenor and volume as shown in Table 1 below:

<table>
<thead>
<tr>
<th>Tenor (days)</th>
<th>Share of total Issuance (%)</th>
<th>Nominal Amount (€ 000)</th>
<th>Weighted Average Yield (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>28</td>
<td>9.4</td>
<td>117,000</td>
<td>0.76</td>
</tr>
<tr>
<td>91</td>
<td>42.5</td>
<td>528,910</td>
<td>0.83</td>
</tr>
<tr>
<td>182</td>
<td>34.3</td>
<td>427,254</td>
<td>1.01</td>
</tr>
<tr>
<td>273</td>
<td>13.8</td>
<td>172,025</td>
<td>0.90</td>
</tr>
<tr>
<td>365</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

The cost of borrowing in respect of T-Bills issued during 2010 amounted to €4.51 million, equal to a weighted average yield of 0.926% and a weighted average maturity of 141.5 days.

Chart 2 shows the weighted average cost of borrowing on 3-month and 6-month T-Bills vis-à-vis the corresponding Euribor throughout the year. On average over the year, the yields of accepted Treasury bills for three month and six month tenor outperformed the average of the respective Euribor rates.

Redemptions on Maturity

Throughout the year, the Treasury redeemed €1,341.56 million worth of Treasury bills, carrying a cost of borrowing equal to €6.03 million equivalent to a weighted average yield of 1.221%.

Monthly movements in gross issuance and redemptions of Treasury bills show an increase in net issuance during the first six months of the year. This trend was however reversed in the second half of the year with the result that the total outstanding level of Treasury Bills decreased by €96.38 million by the end of the year.

Malta Government Stocks

Authority to raise loans on behalf of the central government is set out in an annual budget law which authorises the Minister of Finance to raise loans for an established amount during the financial year by the issuing of securities and provides also the main purposes for which Government can apply such borrowing.

For the financial year 2010, the Budget Measures Implementation Act (Act No I of 2010) established a maximum borrowing limit of €550 million in Malta Government Stock. The issuance programme was applied for the purpose of:
- Financing the Central Government borrowing requirements for 2010;
- 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

In line with the strategy announced at the beginning of the year, issuance in 2010 focused mainly on the fixed-rate euro denominated stocks with maturity horizon biased towards the longer end of the curve. As in recent years, the Directorate continued to issue fungible MGS with the aim to contribute towards further deepening in the liquidity of current benchmark issues.

In each issue the price offered for members of the public 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 2010 reached €547.96 million. There were four MGS issues during the year, having a medium to long term maturity horizon as shown in Table 2 below.

All the issues of Malta Government Stocks in the primary market attracted strong demand both from members of the public as well as from financial institutions. The November issue was over-subscribed by members of the public and was closed before the announced closing dates as there was no balance available to be auctioned through the bidding system. The last time an MGS issue was oversubscribed by members of the public dates back to November 2004.

### Table 2 - MGS Issued in 2010

<table>
<thead>
<tr>
<th>Issuance</th>
<th>Issuance Strategy (€ Millions)</th>
<th>Selling Mode</th>
<th>Bid-to-cover ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>5-year</td>
<td>10-year</td>
<td>20-year</td>
</tr>
<tr>
<td>February</td>
<td>67.22</td>
<td>75.33</td>
<td>7.25</td>
</tr>
<tr>
<td>May</td>
<td>18.11</td>
<td>38.30</td>
<td>93.73</td>
</tr>
<tr>
<td>August</td>
<td>40.12</td>
<td>109.13</td>
<td></td>
</tr>
<tr>
<td>November</td>
<td>6.10</td>
<td>92.68</td>
<td></td>
</tr>
</tbody>
</table>

In addition to the above issuances, a placement of one MGS amounting to €0.43 million towards the partial settlement of ex-church property was issued in June 2010.

Distribution by investor type

Securities on the market are distributed among a diverse range of investors from private investors to institutions of different groups. As at end of December 2010, securities were principally held by financial institutions and resident individuals (holding 36.1% and 27.9% respectively). Chart 3 below explains the distribution of all MGS securities on the market.

### Chart 3 – Distribution of securities by investor type
Loan Facility Agreement (Hellenic Republic)

Pursuant to a decision taken by the Council of EU in May 2010, the Government entered into a loan agreement with the Hellenic Republic to lend €74.54 million in tranches over a period of three years. Following discussions at ministerial level, the Directorate prepared draft legislation for vetting by the Office of the Attorney General. Subsequently, an act entitled Government Borrowing and Granting of Loans to the Hellenic Republic Act 2010 (ACT III of 2010) was enacted by Parliament in May, 2010.

Under the said Act, the Treasury raised a further €30 million by issuing a 3-Year Floating Rate MGS tied to the 6-month Euribor plus a spread of 45bps. The issuance of this security was intended for the financial institutions and was fully subscribed.

During 2010, two tranches amounting to €19.77 million were disbursed to the Hellenic Republic under the above-mentioned agreement.

Debt Servicing

During the year, four MGS with a nominal value of €191.11 million were redeemed. The outstanding nominal value of MGS as at year end reached €3,611.46 million.

Chart 4 indicates that the distribution of the MGSs maturity profile lies skewed to the left, to the extent that 40.47% (compared with 44.18% at end of 2009) of total outstanding debt matures during the period 2012-2014.

In order to continue improving in this direction and obtain a relatively smooth redemption profile, strategic measures by the issuance of stocks in the 9-year to 20-year maturity bucket have been initiated. As a result of such strategic measures, the weighted average maturity (WAM) of MGSs has now reached nearly seven years compared with nearly six years for end of year 2009.

Cost of Borrowing

The Directorate services the half-yearly interest payments to existing stockholders which during 2010 amounted to €186.21 million. Payments of interest throughout the year were spread as illustrated in Chart 5 below:
Chart 5 - Monthly Distribution of Interest Payments on MGS

Chart 6 shows that during 2010 the spreads between the 5-year and 10-year maturity period fluctuated between a high of 130 basis points (26 May) and a low of 79 basis points at the beginning of the year. The average spread for the entire year stood at 112 basis points.

The spread for the 10-year to 20-year maturity remained stable from mid-June until end of October with values around 104 basis points, and then flattened in the last two months.

Foreign Loans

Bilateral loans with foreign entities are specifically undertaken to finance large capital projects. A total of €13.12 million was repaid throughout the year according to the repayment schedule, resulting in an end-of-year balance of €87.70 million.

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 2010, a number of initiatives were undertaken and various opportunities were offered to its staff to attend training courses, seminars and annual conferences organised by institutions both locally and abroad. These included:

- Derivatives Course, hosted by Barclays Capital;
- Pan-Commonwealth Workshop on Domestic Debt Management, hosted by Commonwealth;
- Managing with Leadership, organised by the CDRT; and
- Anti Fraud and Corruption Train the Trainers Course organised by the Internal Audit Directorate.
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.

During the course of the year, the Directorate received 373 new claims from the heirs’ legal advisers requesting the transmission of MGS from deceased stockholders to their clients. The Directorate settled 269 claims, out of which 214 were lodged during 2010 and 55 related to claims which were pending from previous years.

Online Services

During the year, the Directorate contributed towards the revamping of the Debt Management section within the Treasury’s website, making available upgraded and new information in an effort to better meet the needs of the clients. Among other things these include:

- the publication of Treasury bills weekly auction results;
- weekly bid analysis of Treasury bills;
- tender forms for Treasury bills;
- Malta Government Stocks auction results;
- monthly issuance calendar for Treasury bills;
- the yearly indicative issuance calendar of Malta Government Securities.

Such new section was launched on 1 February 2011. Moreover, new guidelines intended for the heirs of deceased stockholders in respect of *causa mortis* claims will be launched later on during 2011.

Government Accounts Directorate

Functions

The main functions of the Government Accounts Directorate of the Treasury are 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.

The Government Accounts Directorate is composed of the following two main branches: Accounting Operations; and Accounting Methodology & Control.

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.

During the year, the Accounts Section processed local payments cheques as shown below:

<table>
<thead>
<tr>
<th>Cheque type</th>
<th>Batches</th>
<th>Cheques</th>
<th>Value (£)</th>
</tr>
</thead>
<tbody>
<tr>
<td>DAS cheques</td>
<td>14,653</td>
<td>130,867</td>
<td>290,310,215</td>
</tr>
<tr>
<td>Energy Supp. Meas.</td>
<td>314</td>
<td>127,368</td>
<td>12,492,120</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>14,967</strong></td>
<td><strong>258,235</strong></td>
<td><strong>302,802,335</strong></td>
</tr>
</tbody>
</table>
As can be noted from the above table, during 2010 the Section was entrusted with the printing of the Energy Support Measures subsidies cheques.

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 the Public Credit, Government Loans and Investments, Investments through MGI, Trust Funds and their related Investments, Warrants and Advances, collected returns from departments on their respective Arrears of Revenue, collected and verified returns on Stores Written off/Cash Losses, and monitored Other Deposit Accounts.

Cash Office

As in previous years, the bank reconciliation of the Public Account was undertaken by the Cash Office. Manual reconciliation for 2010 by end of year was 67% complete. Liaison and co-ordination with MITA and departments was maintained to ensure that the process progressed smoothly. More tests on developments in the bank reconciliation system are currently being carried out.

At the beginning of the year under review, Treasury launched a new data collection program to facilitate the collation of ministerial/departmental bank accounts held at the Central Bank of Malta and local commercial banks. Briefing sessions were held to the officers-in-charge from all ministries/departments.

During 2010, a total of 934 stop payments and 510 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.

<table>
<thead>
<tr>
<th>Transaction Type</th>
<th>No</th>
<th>Value (€)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Credit Advice</td>
<td>6</td>
<td>-931,254</td>
</tr>
<tr>
<td>Debit Advice (Local)*</td>
<td>3,012</td>
<td>1,366,712,645</td>
</tr>
<tr>
<td>Debit advice (Foreign)</td>
<td>136</td>
<td>11,457,786</td>
</tr>
<tr>
<td>Funds transfers</td>
<td>3,972</td>
<td>110,531,939</td>
</tr>
<tr>
<td>Draft</td>
<td>764</td>
<td>1,593,063</td>
</tr>
<tr>
<td>Letter of Credit</td>
<td>2</td>
<td>41,632</td>
</tr>
<tr>
<td>Travel</td>
<td>5,157</td>
<td>3,136,414</td>
</tr>
</tbody>
</table>

*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.

The aim of the verification process is to ensure proper spending of public funds and to ensure that payments are effected according to standing financial regulations.
Travel

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

During 2010, checking of pre-travel and post-travel documentation was carried out and departments instructed, wherever omissions were noted, to abide by established procedures. A system of close coordination between Treasury and the Ministry was strengthened, ensuring that departments strictly followed regulations.

During the year, Treasury continued with the maintenance of the 2005-2009 travel databases and enhanced the 2010 database. Verification of documents was performed on overseas travel undertaken in 2009 and 2010. A total of 4,040 visits abroad have been recorded for 2010 (374 in respect of training courses and 3,666 on official business).

EU Funds Management Unit (EUFMU)

The role of the EU Funds Management Unit is to ensure the efficient management and control of the EU Funds allocations. In 2010, 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 Fisheries Fund (EFF);
- EEA and Norwegian Financial Mechanism;
- Migration Flow Funds.

During the period under review, the Unit transferred payments amounting to €137,115,300, an average of €11,426,275 per monthly. The table below summarises the payments made throughout the year by respective Fund. The total figure indicated hereunder refers to bank payments processed.

<table>
<thead>
<tr>
<th>Fund</th>
<th>Total Value (€)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transition Facility</td>
<td>1,287,873</td>
</tr>
<tr>
<td>Structural Funds 2004-2006</td>
<td>4,129,276</td>
</tr>
<tr>
<td>Cohesion Policy 2007-2013</td>
<td>119,686,115</td>
</tr>
<tr>
<td>EEA &amp; Norwegian Financial Mechanism</td>
<td>1,570,029</td>
</tr>
<tr>
<td>European Fisheries Fund</td>
<td>688,095</td>
</tr>
<tr>
<td>Migration Flow Funds</td>
<td>9,753,912</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>137,115,300</strong></td>
</tr>
</tbody>
</table>

The EUFMU has, during the year under review, co-operated with all the stakeholders involved with the above-mentioned funds. This co-operation included the participation in numerous meetings held both in a holistic and in bilateral circumstances.

During 2010, the final payments with regard to the Structural Funds 2004-2006 Programme were processed. Following reconciliation, all the residual balance in the bank account was passed to revenue and the said bank account was closed.

Accounting Methodology & Control

Accounting Methodology & Compliance Unit

The Accounting Methodology & Compliance Unit is primarily responsible for collecting and checking accrual accounting returns submitted by government departments on a quarterly basis. It continuously monitors the data submitted by the departments so that if any irregularities are noted in the reporting the
Thus, the primary objective is to obtain an accurate picture of the financial position and performance as the data collated will be used to prepare the financial statements under the accrual accounting methodology.

In 2008 an Accrual Accounting Working Group (AAWG) was formed through the mandate of the Permanent Secretary MFEI. This Working Group is chaired by Treasury and other members include representatives from MITA and the Internal Audit and Investigations Department as observers.

The purpose of this working group is to meet with all Directors (Corporate Services) in the ministries to scrutinise the accrual based information submitted during the year. Within this forum Directors Corporate Services and Directors Financial Management as well as other representatives from the respective ministries/departments are called to discuss and scrutinise their accrual based financial statements. Up to the timing of writing of this report, meetings were held with the Office of the Prime Minister, the Ministry for Infrastructure, Transport and Communications, the Ministry of Education, Employment and the Family, the Ministry of Finance, the Economy and Investment, the Ministry for Justice and Home Affairs and the Ministry for Health, the Elderly and Community Care. The ultimate objective of the AAWG is to ensure that the accrual accounting information submitted by the departments is correct and provide an accurate picture of the central government’s financial performance and position.

Another function of this Unit is the collation of the yearly End of Year Stores Written Off and Cash Losses Return and End of Year Statements of Account Arrears of Revenue Return from the ministries and departments.

**Pensions Section**

An ancillary function that the Treasury still performs to date is the award of the pension and gratuity in terms of the Pensions Ordinance (Chapter 93). Whilst the front office is housed within the Treasury premises in Floriana, all back-office work is carried out at the Treasury branch in Gozo.

The main responsibility of the section is to issue Treasury pension and gratuity to government employees who have been in continuous service since 15 January 1979, including the Armed Forces of Malta, the Correctional Services and the Malta Police Force employees. The Section is also responsible for the issuing of bonus and income supplements to eligible ex-civil service employees who are not receiving a bonus from the Department of Social Security.

**Treasury Pensions and Gratuities in 2010**

During the year, 566 public service employees attained retirement age and were eligible for Treasury Pensions including Widows Pension. Of these, 400 were male and 166 were female. The total of deceased pensioners was 476, of whom 316 were male and 160 were female as indicated below:

In 2010, the total Treasury pensions issued amounted to €70,513,152.08 and the total amount of gratuities paid was €15,033,352.18.

NOEL CAMILLERI

*Director General (Treasury)*
**Economic Policy Department**

**BACKGROUND**

The Economic Policy Department (EPD) provides the Government with expert advice and assistance in the formulation of economic policy and the management of economic activity, with the aim of attaining the 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, the EPD assists in the formulation of policy in areas which are crucial to Malta’s economic developments including competitiveness, labour market, investment, tourism, education, creativity, innovation and the environment. Within this context, the EPD provides the 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 Department also provides technical advice and assistance to the Government on international economic/trade issues. Through its participation in Commission Working Parties and Trade Policy Committee formations, the Department monitors and advises on the economic/financial impact of issues and strategies concerning the EU’s common commercial policy. Furthermore, the Department 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 EPD 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 by providing information on the domestic and international economic situation, the macroeconomic outlook and the EU’s fiscal surveillance process. This information acts as an important input in the budgetary process ensuring that the fiscal policy stance is appropriate to the macroeconomic conditions and targets and also in compliance with EU fiscal requirements.

During 2010, the Department participated in the preparation of the Pre-Budget Document 2011 *Ideas, Vision, Discussion*. This Directorate’s work comprised detailed studies on the general macro-economic conditions, competitiveness, as well as an analysis of public finances.

Throughout the year, the Department 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 Co-ordination**

The Department continued to participate actively in the EU’s economic policy co-ordination processes. In particular, the Department participated in the Economic and Financial Committee (Alternates) and the Economic Policy Committee, including the Eurogroup composition of the respective committees.
addition, the Department also provided support for the preparations of the Economic and Financial Committee meetings.

The Department also participated in a number of working groups attached to the EPC. In particular, the EPD 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. In this context, it is noteworthy that during 2010 the Department provided feedback towards and within various Committee formations contributing towards the European Council conclusions that were endorsed on 29 October which sought to reinforce economic governance in the EU. Moreover, the Department provided feedback during the still-ongoing consultation process regarding the Commission’s legislative proposals to strengthen economic governance. This legislative package is set to come into force by summer 2011 so as to ensure the effective implementation of the new economic and fiscal surveillance arrangements. Finally, the Department also provided feedback on a number of reports drawn up by various EU committees having Maltese representation as well as the EU Parliament, as requested. The Department provides such feedback from an economic perspective in line and coherent with Malta’s position taken in the various EU Committee meetings and Council formations mentioned earlier.

During 2010, the Department continued to provide information on the domestic economic situation and on the economic policies and measures that are being pursued by Government to the EU and other relevant parties. In particular, the Department co-ordinates 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 2010, the EPD was also actively engaged in the technical economic analysis related to the EU2020 strategy and the National Reform Programme (NRP) co-ordinated by the Planning and Priorities Co-ordination Division (PPCD) with the line ministries. The EPD assisted the PPD to ensure proper co-ordination between the thematic aspects of the draft NRP and the macroeconomic aspects. The EPD was also involved in the formulation of the draft NRP submitted to the European Commission in November 2010.

Due to the unfolding of the most extensive financial and economic crisis since the Great Depression, financial stability issues have increasingly featured in the EU economic policy co-ordination framework. This necessitated the strengthening of the required institutional capacity and knowledge of EPD in this area, facilitated through the undertaking of research and development by the Department. The accumulation of this knowledge helped EPD to participate effectively in discussions conducted within the EU economic policy co-ordination processes relating to financial stability. The Department also provided support for the preparations of the Financial Stability Table composition of the Economic and Financial Committee meetings, while also following discussions within the EU Financial Services Committee.

**Representation on the Malta Council for Economic and Social Development**

The Department is represented in the Malta Council for Economic and Social Development and during 2010 it continued to participate actively in its proceedings, providing technical analysis and helping Government to adopt positions on issues which are discussed in the Council. Furthermore, as in previous years, the Economic Policy Department computed and presented the relevant cost-of-living adjustment for 2010 as stipulated in the Incomes Policy Agreement of 1990. In December, the Department presented the members of the MCESD with an update of the Inflation Report published in July.
During 2010, the Department also gave presentations to the Malta-EU Steering Action Committee. A second presentation (together with the Department of Social Security) dealt with the Green Paper on Pensions published by the European Commission.

**National Econometric Modelling**

The Department 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 2010, the Department 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.

The second disaggregated model (SAMM) 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.

**International Institutions**

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

**Financial Stability**

The EPD continued its work in monitoring developments in economic and financial conditions. In particular, this included research and regular monitoring with respect to international sovereign debt markets, the EU’s and local legislative frameworks related to financial stability and the financial sector in general, studies and reports conducted by other institutions on financial stability issues, as well as developments in the local financial sector. In addition the Department also provided feedback to a number of EU Committee meetings.

**Pension Modelling**

The EPD is represented in the Pensions Working Group set up by the Ministry of Education, Employment and the Family. During 2010, the EPD has actively provided technical input on the role of second and third pillar pensions. Work included two World Bank missions during August and September. Such visits had the objective of advising the Government on the strengths and weaknesses of the various pension reform options and in relation to that, the modelling of such reform options through the use of the World
Bank’s PROST (Pensions Reform Simulation Toolkit) model. Furthermore, in 2010, the EPD together with the other members of the PWG visited the Pension authorities in Sweden to explore further the Swedish pension system specifically in the context of the reform proposals by World Bank Staff concerning both the first pillar and the second pillar pension. In this context, the Department contributed to the work of this working group, especially with respect to the report reviewing the pension system in Malta, tabled in the House of Representatives in December 2010.

The Economic Policy Department also provided technical assistance in relation to the estimation of the updates of the Theoretical Pension Replacement Rates 2008-2048 for Malta in an exercise co-ordinated by the Indicators Sub-Group of the Social Protection Committee.

**Sectoral Analysis**

The EPD participated in the Creative Economy working group within the MFEI providing technical input. In particular, EPD was responsible for the formulation of an Economic Report on the culture and creative industry in Malta, which is the first of its kind in Malta. EPD also participated in a number of workshops and seminars on the subject and was also active as a member in the working group in the discussions held with operators and interested bodies related to the culture and creative economy.

**EU Budget**

EPD is represented in the Malta Group on Financial Perspectives and provides regular feedback, including briefing notes and technical papers in relation to the EU Budget issues, specifically on its financial aspects. The Economic Policy Department representatives participated in the meetings of the Core Group on the Review and Modernisation of the EU Budget which was set up with the aim to draw up a Malta Position on the new EU Budget framework which will replace the present framework. The representatives drew up and presented policy papers to this Core Group in relation to the EU Budget Reform.

**Research and Publications**

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

The Department published the Economic Bulletin in May 2010. This document provided an outline of the developments in the Maltese economy during 2009. Furthermore, during July 2010 the Department published the Inflation Report. This report detailed price developments in Malta, outlining trends in inflation, an analysis of inflation from the macroeconomic perspective as well as providing an outlook for inflation in Malta.

In addition, the Department published the Economic Survey in November 2010. 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.

The Department has also participated in discussion with the Central Bank of Malta on the co-ordination of economic policy with the aim of securing an appropriate environment for economic growth. The Department regularly collaborates with the Central Bank of Malta in areas of mutual interest, as well as to discuss local economic developments and prospects. Furthermore, the Department continued to engage with similar organisations abroad.

During the year the Department launched its own website, which can be accessed on www.economicpolicy.gov.mt, where detailed information about the structure, functions, and workings of the Department are available.
INTERNATIONAL ECONOMIC RELATIONS DIRECTORATE

Common Commercial Policy

The International Economic Relations Directorate participated, monitored and continuously analysed the developments taking place within the framework of the Trade Policy Committee to ensure that the interests of Malta are fully represented in the field of international trade policy.

Trade Policy Committee

The Trade policy Committee is a trade co-ordination and advisory committee to the European Union concerning all aspects of trade policy.

The Department participates actively in various formations of this Committee including the Full Members, the Services and Investment Committee, the Committee on anti-dumping/anti-subsidy, the General System of Preferences Committee and the Steel, Textiles and Other Industrial Sectors Committee and follows the developments made. The Department also shadows other specific committees including the Trade Policy Committee Deputies and ad hoc Trade Policy Committees experts meetings. The Department consults with the ministries and other government entities as well as the wider civil society to formulate Malta’s positions on topics concerning international commercial policy.

Trade Policy Committee - Full Members and Deputies

This Committee discussed the multilateral and bilateral aspects of international trade relations that included the World Trade Organisation’s Doha Development Agenda; the negotiations on a number Free Trade Agreements, most notably with Canada, India and Korea and other trade relations with other countries including the US, China and Russia. Other topics that have been discussed in this Committee included the implications of the Lisbon Treaty on EU External Trade Policy; the Regulation establishing transitional arrangements for bilateral investment treaties between Member States and third countries, the Communication towards a comprehensive European international investment policy and thematic issues such as the negotiations on Anti Counterfeiting Trade Agreement and a number of sectoral fiches.

Trade Policy Committee – Services and Investment

Following the entry into force of the Lisbon Treaty, some additional responsibilities were entrusted to the Services and Investment committee. In fact, the Investment aspects of international trade are now being discussed under the said consultative Committee. The Committee also continues to monitor and engage in various aspects related to international trade in services, including the analysis of services liberalisation with third countries, third country market access in services for European companies, transparency of international markets and other related issues. In particular, the Committee was involved in the negotiation of offers in services with South Korea, Canada and India. This Committee also follows developments in the World Trade Organisation on the aspect of the services negotiations of the Doha Development Agenda.

Steel, Textiles and other Industrial Sectors Committee (STIS)

The Department followed discussions and prepared Malta’s positions on a number of sectors that have been discussed in this Committee. Topics such as chemicals, rare earths, automotive parts and ceramics were the subject of discussion during 2010. The Committee had the task to draw conclusions and policy action on EU trade in these sectors with the aim of securing EU access to raw materials and the competitiveness of EU industries. In this process the Department has sought feedback of other government entities and pertinent stakeholders as necessary.
Market Access Committee

The Market Access Committee intensified its work to remove or reduce barriers to European exporters of goods, services and investment in third countries. As a consequence of the financial crisis, third countries have increased trade barriers with the aim of protecting their local markets. The European Commission, together with the Member States, worked to eliminate barriers to trade in third countries that may have been imposed on EU exports. About 37 barriers to trade that were introduced by third countries following the financial crisis were removed. The work of the Market Access Committee also reflects the interests of small and medium enterprises which are an important pillar of the Maltese economy.

Multilateral Trade Relations

At the multilateral level, the Department continued to follow the developments taking place at the World Trade Organisation in Geneva with respect to the Doha Development Agenda negotiations.

Bilateral Trade Relations

In the area of bilateral and regional trade relations, the Department consulted and co-ordinated with the competent government authorities to be in a position to formulate a policy on a number of bilateral commercial agreements that the European Union is negotiating with third countries. Some of the most important free trade agreements negotiated during 2010 included Korea, Canada, India, Malaysia, Singapore and Ukraine.

EU-Korea Free Trade Agreement

The negotiations for an EU-South Korea FTA were launched in May 2007 in Seoul. After eight rounds of talks, the FTA was initialled by both sides on 15 October 2009. On 16 September 2010, the European Council approved the FTA and the Agreement was officially signed on 6 October 2010 in the margin of the EU-South Korea Summit in Brussels. This Agreement is the most comprehensive free trade agreement that the EU has negotiated with third countries. This Agreement offers better access to markets, in particular for processed products and manufacturing and services. The Department has followed up the negotiations and provided Malta’s positions on the various aspects of this agreement.

EU-Canada Comprehensive Economic and Trade Agreement

The Department followed the start of negotiations of a trade agreement between the European Union and its Member States, and Canada and its provinces. The agreement is being negotiated within the framework of the Comprehensive Economic and Trade Agreement (CETA). Negotiations intensified during 2010 with successive negotiation rounds in the months of January, April, July and October of 2010.

Negotiations are moving forward in a progressive fashion and the areas that are covered as well as the approach adopted in the negotiations are particularly unique in this free trade agreement. The Department has analysed the texts of the negotiations and provided Malta’s positions where necessary, particularly in the area of services.

EU-India Free Trade Agreement

The Department has been monitoring and providing Malta’s positions based on economic analysis and consultations with stakeholders with respect to the free trade agreement that is being negotiated between the European Union and its Member States, and India. These negotiations were launched in June 2007. Significant progress has been made in most areas of the negotiations and closure has been achieved in several areas. Engagement has been intensified in all areas requiring additional work. The EU-India Free Trade Agreement covers a number of areas including trade in goods, trade facilitation and customs cooperation, trade defence instruments, trade in services and establishment, government procurement,
EU-Euromed Agreements

During 2010, the Economic Policy Department has been engaged in providing Malta’s positions with respect to the Euromed FTA negotiations which are being held bilaterally between the European Union and its Member States and each individual Euromed country. At the bilateral level, major developments in 2010 related mostly to the fact that each Euromed country has concluded an Association Agreement with the European Union. Collectively, the association agreements replace the previous non-reciprocal co-operation agreements signed in the 1970s and constitute the foundation on which free trade is developing in the Mediterranean region. All association agreements provide for reciprocal trade liberalisation of manufactured goods with duty free access for Mediterranean exports and gradual tariff dismantling over a transitional period for EU exports. Ongoing negotiations to deepen trade liberalisation in agriculture, on services and investment are ongoing.

Ninth Union for the Mediterranean Trade Ministerial Conference

On 11 November 2010, the annual Ninth Union for the Mediterranean Trade Ministerial Conference was held in Brussels, whereby Trade Ministers discussed and endorsed two major documents relating to a package of measures to facilitate the trade of Palestinian products with other Euro-Mediterranean partners on a bilateral and regional basis in 2010. Another document related to the working priorities to strengthen Euro-Mediterranean trade relations during 2011.

EU-Libya

Since November 2008, the EU and Libya have been negotiating a Deep and Comprehensive FTA (DCFTA) with negotiations in a number of areas. During 2010, this agreement took the form of a Partnership and Co-operation Agreement. In view of Malta’s bilateral trade relations with Libya, the Department has monitored developments and provided positions based on an economic analysis with respect to these negotiations.

EU-Pakistan

Following the floods that occurred in Pakistan, on 16 September 2010, the Member States of the European Union agreed to provide support intended to help Pakistan’s economic recovery and development. The Department has been involved in providing the necessary analysis and subsequent positions with respect to the European Commission’s proposal in this respect.

Generalised System of Preferences

The Department followed the issues that have been discussed in the Generalised System of Preferences Committee and the GSP Working Party, which included the granting of preferential access to the EU market for developing countries, withdrawals from GSP and the granting of an additional transitional period under the ‘Everything but Arms’ arrangement to a beneficiary country. The GSP Committee discussed also the next GSP Regulation. It was agreed to maintain the current Regulation beyond 31 December 2011, with minimum changes until the successor Regulation is agreed and enters into force.

Trade Defence Instruments

The Department monitored and analysed the ongoing developments on antidumping, anti-subsidy and safeguard mechanisms. Advice was provided on a number of trade defence issues, this being based primarily on an economic analysis whilst taking into consideration the European Commission’s investigation findings and the objectives, interests and priorities of the various government entities and...
stakeholders. Some of the cases that were discussed during 2010 included the imposition of duties on imports of polyethylene terephthalate from Iran, Pakistan and the UAE and the cases concerning cargo scanners, wireless wide area networking modems and aluminium road wheels originating in the People’s Republic of China. Regular consultations with local and Community stakeholders have been maintained.

**Investment Promotion and Protection Agreements**

During 2010, Investment Promotion and Protection Agreements were signed with Montenegro (April) and Serbia (July). In consultation and co-ordination with the Ministry of Foreign Affairs, the Office of the Attorney General and other pertinent government entities, the Department continued negotiations on a number of draft bilateral Investment Promotion and Protection Agreements with a number of countries, including Morocco, Georgia, Albania, Bahrain, Bosnia Herzegovina, Ukraine, Vietnam, Azerbaijan and Qatar.

**The Treaty on the Functioning of the European Union and EU Trade Policy**

The adoption of the Lisbon Treaty has had a significant effect on EU trade policy. This includes the increased role of the European Parliament and the extension of EU exclusive competence on Foreign Direct Investment (FDI). To date, investment has been Member State or mixed competence. Individual EU Member States have negotiated their own bilateral investment treaties (BITs) to provide protection to investors. However, this has now fallen under EU competence.

In light of the above, in 2010, the Commission released a Communication concerning a Comprehensive European international investment policy and also a proposal for a Regulation establishing transitional arrangements for Bilateral Investments Treaties between Member States and third countries. The purpose of the Communication is to formulate a comprehensive common Union policy on investment and thus it has identified the geographical focus of the short to medium term agenda for investment negotiations. The Council also adopted Conclusions on the Commission Communication. The aim of the proposed Regulation is to establish the terms, conditions and procedure under which Member States will be authorised to maintain in force, amend or conclude bilateral agreements with third countries relating to investment.

Both the Communication and the Regulation are currently being discussed in the TPC (Services and Investment) Committee. Concurrently, the European Parliament is also discussing these documents. The Department has reviewed and analysed these documents, while also participated in the discussions related to investment in the Council.

**Trade Ministers Dinners**

On 21 February 2010, a Trade Ministers Dinner was held under the Spanish Presidency concerning the role that Trade Policy has to play to strengthen EU external competitiveness. On the other hand, the Trade Ministers Dinner held by the Belgian Presidency on 10 November 2010 discussed the Commission’s Communication on the external dimension of the EU’s 2020 Strategy. The Department provided policy briefings with respect to these meetings.

**Public Consultations**

On 30 June 2010, the Department delivered a presentation to MEUSEC on the future direction of EU Trade Policy. The aim of this presentation was to facilitate Maltese stakeholders to contribute their views for the policy formulation of an EU trade policy.

Eventually, the public consultation which was open to all stakeholders within the EU and third countries was launched on 9 November 2010 in the form of an EC Communication entitled Trade, Growth and
World Affairs – Trade policy as a core component of the EU’s 2020 Strategy. To this effect, EPD delivered another presentation outlining the main feature of this Communication to MEUSEC on 26 November 2010.

**Meeting between the Minister of Finance, the Economy and Investment and EU Commissioner for Trade**

On 13 July 2010, a meeting was held in Brussels between the new Commissioner responsible for Trade, Mr Karel de Gucht and the Minister. A number of international trade policy issues have been discussed, including bilateral free trade agreements and other commercial agreements that are currently being negotiated by the European Union with third countries or regions. The newly acquired EU exclusive competence on Foreign Direct Investment was also discussed. The Department prepared technical briefings in connection with this meeting.

**Visit to Malta by the Belgian Trade Policy Committee Titulaire**

In preparation of the Belgian Presidency that took place in the second half of 2010, the Belgian Trade Titulaire visited Malta on 15 March 2010 where a meeting was held with the Economic Policy Department. The aim of the meeting was to discuss the current international trade policy issues and to highlight Malta’s specific interests and concerns on trade related matters prior to the Belgian Presidency.

**Research and Publications**

*Advisory Services*

The Department continued to provide its services to a number of government entities particularly through the preparation of information briefings and technical advice on Malta’s position with respect to issues pertaining to international trade. Research and analysis on international trade and economic issues were also carried out to respond to *ad hoc* requests by various government entities.

JOSEPH RAPA  
*Director General (Economic Policy)*
INTRODUCTION

The role of the Commerce Department 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 by its Support Services arm.

OPERATIONS

The Commerce Department 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 trademarks, 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;
- provision of first-hand assistance and advice to clients who require any service offered by the Department;
- acting as the National Co-ordinator (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;
- co-ordinating Malta’s participation in the European Enterprise Awards
- co-ordinating 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 2010

Trade

Applications were received, processed and published in the Government Gazette. The list of applications is made up as follows:
New applications for premises based activities 483  
Reactivation of Licence 28  
Transfer of Licence 359  
Transfer by Inheritance 26  
Market Hawkers 242  
Street Hawkers 176  
Buskers 26  
Marketing Agents 14  
Registration of Freelance Activity Non-premises Based 132  
Extension of Time 27  
Commercial Fairs 129  
Car Boot Sales 26  
Change or Additional Activity 86  
Late Night Shopping 4  
Substitute Hawkers 36  

Furthermore 1,510 applications were received for import licences and 70 for export licences. There were also 95 applications for exports of dual-use goods and military equipment.

The Department through the Trade Services Directorate testified 722 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:

<table>
<thead>
<tr>
<th>Service</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Registration of new trademarks</td>
<td>900</td>
</tr>
<tr>
<td>Registration of new designs</td>
<td>4</td>
</tr>
<tr>
<td>Patenting of new inventions</td>
<td>16</td>
</tr>
<tr>
<td>Validation of European Patents in Malta</td>
<td>128</td>
</tr>
<tr>
<td>Renewal of existing trademarks</td>
<td>1,990</td>
</tr>
<tr>
<td>Renewal of existing designs</td>
<td>8</td>
</tr>
<tr>
<td>Renewal of existing patents</td>
<td>1,006</td>
</tr>
</tbody>
</table>

Furthermore, there were 3,300 Industrial Property searches.

The Commerce Department through its Industrial Property Registrations Directorate was called to testify in court 54 times on intellectual property related issues.

**Crafts**

Members registered with the Malta Crafts Council as on 31 December 2010 stood at 887 craftsmen and 432 entrepreneurs.

The number of visitors (including locals and tourists) to the local exhibition of crafts at Crafts Centre Valletta was 23,496.

During 2010, the Malta Crafts Council participated in several crafts fairs/exhibitions held locally such as Great Spring Show, *Festival Nazzjonali tal-Ghana*, Artisan Fair in Valletta (as part of World Tourism Day), *Notte Bianca* and others organised by various local councils, such as *Festa tar-Rebbiegħa*, *Hidma Agrarja u Tradizzjonijiet*, *Irkotta Fest*, *Lejl f’Casal Fornaro*. 
A number of proposed projects were drawn up by the Commerce Department in line with the Government’s allocation of the fund of €200,000 in the 2010 Budget i.e. Business Support Fund for Crafts and Artisan Work:

- With the collaboration of NSO, a questionnaire was drawn up and mailed to over 5,000 businesses which were identified from the Business Register to fall into the crafts categories;
- Helping Crafts persons registered with the Malta Crafts Council to create attractive websites;
- Following discussions with the Information Management Unit of MFEI the process for the development of a new crafts portal was initiated. It was agreed that the new portal would include unlimited number of web pages, a photo gallery and an archiving function amongst other functions. Additional features of the portal will include the e-ID, payment facility and online registration. A call for tender was issued;
- Helping Crafts persons registered with the Malta Crafts Council present their products more attractively.

A number of courses were organised for crafts persons about the subjects of marketing and packaging, innovation and Intellectual property.

Ġieħ l-Artijjonat Award

This scheme was launched to award three sectors involved in crafts, namely: crafts persons; institutions and individuals; and businesses that contribute in the promotion and sale of local crafts products.

Internal Market Information (IMI) System

The National IMI Co-ordinator (NIMIC) carried out various activities in relation to the implementation of IMI.

- 5 new Competent Authorities (CA) were registered in the System;
- 11 training sessions were held, during which users were given an overview of the IMI System or assisted in any difficulty they might have;
- In the Professional Qualifications Module, 12 requests were sent by Maltese CAs to their counterparts in other EU Member States;
- In the same module, 5 requests were sent by EU CAs to Maltese CAs.

On 5 November, the NIMIC organised a seminar for all IMI users in Malta. The seminar focused on the data protection aspects of IMI and on the Services Directive. Nearly all users attended.

Assisting Business

Business Care Unit

The Commerce Department 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 Department. During 2010, circa 2,576 telephone enquiries and 3,788 personal visits were received at the Business Care Unit mainly in relation to services offered by the Commerce Department.

Malta SOLVIT Centre

As from 1 May 2004, the Commerce Department 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.

The following is a summary of SOLVIT case activity in relation to 2010:
### Awareness Activities and meetings with the Business Community

The Commerce Department 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;
- IP awareness raising talks and workshops were undertaken for students, craftsmen and in co-operation with ETC, during which an overview of community trademarks and designs was also provided. In addition, promotional material was also created through funds made available to this office under the Technical Co-operation Agreement entered into with the Office for Harmonisation in the Internal Market (OHIM) – Community Trademarks and Designs.

### Participation in the 2010 edition of the Malta Trade Fair

The Commerce Department’s stand *inter alia* promoted intellectual property, and also included the exhibition of diverse inventions and crafts. With regard to intellectual property, emphasis on Patenting was also made at this year’s stand, with an official from the European Patent Office demonstrating the use of esp@cenet and other Patenting tools for a number of days. The Commerce Department’s stand was also dedicated mainly to the local institutions which provide crafts courses, namely, the Institute of Art and Design MCAST, the Malta Society of Arts, Manufactures and Commerce and the Wistin Camilleri Centre for Art and Crafts from Gozo. Students and teachers from these institutions offered live demonstrations of their crafts.

The IP Check-Up Diagnostic service was continued with purposely trained officials from the CD visiting the premises of any interested SME and in full confidence advising 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 Department is regulated in its activities by the following main legislations: the Auctioneers Act; the Commercial Code; the Trading Licences Act; 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:

- Following necessary amendments made to the Copyright Act in 2009, the WIPO Copyright Treaty and the WIPO Performances and Phonograms Treaty, adopted at Geneva on 20 December 1996, entered into force with respect to the EU on 14 March 2010, and hence this also became applicable to Malta;
• Legal Notice 425 of 2003 on the control of the Establishment and Operation of Societies for the collective Administration of Copyright was replaced by Legal Notice 80 of 2010 which takes on board 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 in Geneva. These two treaties entered into force with respect to the EU on 14 March 2010, and 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 Department 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 Department participated in the General Assembly of the World Intellectual Property Organisation as well as other meetings organised under the auspices of WIPO such as the Standing Committee on Copyright and Related Rights and the Standing Committee on Patents. The Department also participated in 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 EPO’s Technical and Operational Support Committee and OHIM’s Liaison Meeting on Trademarks, Designs and Technical Cooperation.

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 Harmonisation in the Internal Market (OHIM) – Community Trademarks and Designs

**BILATERAL CO-OPERATION INITIATIVES**

*Co-operation with the Office for the Harmonisation of the Internal Market (Trademarks and Designs)*

During 2010, the Commerce Department once more benefited from a co-operation agreement aimed at increasing awareness on intellectual property rights and in particular the Community Trademarks and Community Designs. A similar agreement for 2011 has also been undertaken and it is envisaged that this will be signed in the beginning of January 2011.

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

*Co-operation 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 include 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. In addition, through a specific project under the NAP, the Department has also procured the necessary equipment in order to upgrade the CD’s staff development room so that this is equipped as necessary for training purposes.

Malta also has a working agreement in place with the EPO whereby the CD 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.

Co-operation with EU DG Enterprise

Under the Competitiveness and Innovation Framework Programme (CIP), the CD is actively participating in EU’s transnational 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 proactively 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)

The Department has signed a Memorandum of Understanding with WIPO which covers diverse areas of cooperation and assistance between this office and the afore-mentioned organisation.

In the 2010 Budget, the Award for Creativity and Innovation was launched, with a fund of €100,000 as an incentive to more investment in creativity and innovation in the education, arts, technology and manufacturing sectors and to give recognition to young creative entrepreneurs.

In conjunction with the above, discussions have been held with the WIPO, as a result of which, it has been agreed to integrate the above award with the WIPO Award for Creativity and Innovation. Therefore, in addition to the monetary prize announced in the last Budget, the winners of the Awards will also be receiving a medal and certificate bestowed by this prestigious UN organisation. The Ministry will therefore be awarding the following categories:

- Malta/WIPO Award for Creativity;
- Malta/WIPO Award for Innovative Enterprise;
- Malta/WIPO Award for Best Invention; and
- Malta/WIPO Award for Best Young Inventor.

Training and Family Friendly Measures

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 Department attended several courses organised by CDRT as well as courses organised by the Commerce Department.

Alternative working hours were introduced at the Commerce Department with a view of assisting staff to cope with their family obligations whilst still maintaining the same service to the clients.

GODWIN WARR
Director General (Commerce)
The Office of the Notary to Government comprises two main sections: the Notarial Archives and the Notarial Section.

**Archives Section**

In the Notarial Archives are deposited 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. At the head office in number 2/3, Mikiel Anton Vassalli Street, Valletta, are housed the original deeds, 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 and 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.

**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 paramedical staff. These requests are also received when scholarships are granted by the Education Directorates, the Ministry of Foreign Affairs, MRRA and others.

In July, the Chief Notary to Government supervised and aided in the transfer of the volumes in the Notarial Archives in Gozo to another premises. This was held over three days in the weekend to cause least disruption and inconvenience to the public.

Two Notaries from the Department were present at the offices of Transport Malta to oversee and record the proceedings of the opening of bids and the granting of 20 new taxi licences.
**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. The electrical system at the Archives was overhauled and modernised and this project was sponsored by the Rotarians.

A number of distinguished visitors were received at these Archives and were impressed with the wealth of its contents.

In March, an agreement was signed with the Hill Monastic Manuscript Library of St John’s University, Minnesota in the United States for the digitisation of some of the oldest volumes. The equipment was provided by the HMML. This pilot project was initiated and almost complete by end of year. A number of volunteers and university students gave their contribution to this project.

In May, members of staff were interviewed for a programme which was aired on Net Television.

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.

**Exhibition of Volumes during Notte Bianca**

A number of interesting volumes were put on display during *Notte Bianca* in September with the collaboration of the Parliamentary Secretariat for Small Business and Land. This proved to be a great success and the exhibition was visited by a large number of the public.

**Notarial Warrant Examination**

In March 2010, a Notarial warrant exam was held for 19 students. Fifteen students were successful and obtained their warrant in May.

**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 2011.

**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.

**Statistics**

**Notarial Archives**

<table>
<thead>
<tr>
<th>Description</th>
<th>Quantity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Volumes of deeds received in the Archives in terms of the Notarial Profession and Notarial Archives Act (Cap. 55)</td>
<td>230</td>
</tr>
<tr>
<td>Volumes of deeds received from the Special Commissioner for Notarial Acts in terms of Act X of 1999</td>
<td>170</td>
</tr>
<tr>
<td>Copies of deeds issued</td>
<td>9,680</td>
</tr>
<tr>
<td>Volumes repaired</td>
<td>82</td>
</tr>
<tr>
<td>Volumes bound</td>
<td>13</td>
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</table>
Notary to Government Office

<table>
<thead>
<tr>
<th>Deeds were published in connection with:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Courses of Study and Scholarships</td>
<td>43</td>
</tr>
<tr>
<td>Sale of grave sites</td>
<td>9</td>
</tr>
<tr>
<td>Other transactions to which Government was a party</td>
<td>18</td>
</tr>
<tr>
<td>Notes of Enrolment, Hypothecs, and References entered in the Public Registry</td>
<td>66</td>
</tr>
</tbody>
</table>

Revenue and Expenditure

The revenue collected by the office, during the year under review, amounted to €65,407.98 and the expenditure during the same period totalled €292,065.80.

CORA VELLA
Chief Notary to Government
INTRODUCTION

The Government Property Department (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 Directorate, the Estate Management Directorate, the Joint Office and the newly formed Finance and Administration Directorate.

Whereas each of the four directorates has precise objectives to achieve within a specific remit, the GPD acts as the co-ordinator of all operations whilst ensuring smooth management through the provision of the necessary financial and administrative support.

Major Projects

The operations of the GPD are instrumental to the carrying out of major projects identified by Government. This is mainly due to the fact that GPD provides ongoing support to other government departments/entities to achieve the projects’ objectives. The support service provided includes information on government property, eviction of squatters, termination of leases, acquisition of private property, provision of alternative accommodation, drawing up of property drawings, drafting of deeds and presenting parliamentary resolutions.

The major projects in which GPD was heavily involved during 2010 include:

- the reorganisation of the Public Transport – several sites identified and allocated;
- installation of photovoltaic panels – information given on several sites and roofs of government-owned buildings;
- Dockyard – emphyteutical grant to Palumbo;
- City Gate Project by Renzo Piano including the new site for Parliament at Misrah il-Helsien - alternative accommodation granted to 22 shop owners relocated to other sites
- Manoel Island Yacht Yard Company Ltd – emphyteutical grant to Manoel Island Yacht Yard Company Ltd;
- Chambray Project – Sale of underground facilities required for the building of a hotel;
- Midi/Tigne Project – Allocation of the newly constructed football ground to Sliema Wanderers Football Club and reaching maintenance agreements on common parts located in the area;
- Verdala and St Nicholas Bastion areas in Cospicua – evictions and removing of illegal structures in respect of an ERDF 104 project;
- preparatory work required in connection with the privatisation of Enemalta’s Petroleum Division scheduled for 2011.

Tender Committee

One of GPD’s main functions is the disposal of government property which generally is made through a call for tenders. During 2010, a change in the tendering procedure for the disposal of government property was effected. This change was intended to achieve transparency, accountability and efficiency in the tender process. To this effect a new Tender Committee, constituted by representatives from the Ministry
of Finance, the Economy & Investments, and the Contracts Department and chaired by the Director General Government Property, was formed to cater for all issues of calls for tenders and subsequent adjudication and this without the need of referral to the Contracts Committee. Furthermore, the minimum value expected by Government is now indicated in all call for tenders.

**Review of Internal Policies and Procedures**

GPD in conjunction with the Parliamentary Secretary for Small Business and Land initiated an exercise to review existing policies and procedures. For this purpose, three seminars were organised and it is expected that this important exercise is concluded in the beginning of 2011.

**Information Technology**

In the beginning of 2010, GPD entered into an agreement with LOQUS for the provision of a new, comprehensive IT system to operate the Land Estate Management Information System (LEMIS). Preparatory work was initiated during this period to upload data in the new system to enable the first module, that is, the Rent Generation Module, to be operative during the first months of 2011. This module incorporates the revenue collection system for all government-owned property. It is expected that the other five modules will be completed by the end of 2011, after all the necessary data is uploaded in the system. The sum of €900,000 was allocated for this exercise to commence in 2011.

The implementation of the LEMIS system entails also the review of GPD’s business processes and reorganisation to enable this new technological system to give the desired results. Proposals on the reorganisation of the Department are being discussed.

**Other Services**

**Parliamentary Questions**

The number of Parliamentary Questions replied by GPD in 2010 amounted to 150 PQ replies; this is 17% more than the PQ replies given in 2009 which amounted to 132.

**Identification of Vacant Properties**

During 2010, GPD initiated an exercise to identify all government-owned property within Valletta and Floriana area. This exercise is intended to establish the number of vacant government-owned properties in these two localities which Government can make better use of. This exercise confirmed that there are 2,998 government-owned properties in Valletta and 544 government-owned properties in Floriana. There are 210 vacant properties in Valletta whereas there are 15 premises vacant in Floriana. Government departments occupy 229 properties in Valletta and 110 properties in Floriana. GPD is also drawing up property plans of the vacant premises and the properties occupied by the government departments in both localities for registration purposes.

**FINANCE AND ADMINISTRATION**

In mid-2010, the GPD’s finance and administration branch, headed by the Director General, was given a new directorate status, with a new director appointed to administer the Finance and Administration Directorate.

**Auberge de Bavière**

In 2010, the decision was taken to relocate the offices of the Joint Office located at the Ex-Pillar School in Marsamxetto Road, Valletta, to the Auberge de Bavière, to enable all GPD employees to operate from
under one roof. This move permitted the amalgamation of the legal office, the cash office and the technical office and avoided duplication of resources, reduced administrative expenses and ensured more accountability.

Rehabilitation works

In April, GPD issued a call for tenders for the rehabilitation of the central part of the Auberge de Bavière. Four offers were received; however none of these offers were accepted for various reasons. Clearance was obtained from the Contracts Department for GPD to negotiate new terms and conditions with the same four tenderers with the intention of issuing another call; however, not even these negotiations lead to the desired result. It is expected that a new call for tenders be issued in 2011.

GPD has also prepared the necessary documentation for the restoration of the façade which is intended to begin once the internal refurbishment of the Auberge is completed.

There were a number of offices which were not equipped with air condition units. Air conditioners were installed in these offices and were fully functional during the summer months.

Human Resources

During the year, GPD experienced substantial changes in its workforce. Nineteen staff members terminated their employment either due to retirement or else sought new pastures, whereas 13 were newly deployed with the Department including the services of a new architect. This resulted in a decrease of GPD staff complement by six staff members from the previous year.

GPD acquired the services of three persons with special needs to perform work related to the reconciliation of ex-church properties. Furthermore, another disabled person was employed as office assistant with GPD.

Two calls for applications were issued for the post of directors in the Estate Management Directorate and the new Finance and Administration Directorate; the latter post was filled by an incumbent officer whereas the post of Director Estate Management was not filled. Another three calls for applications for the posts of Assistant Directors were issued and subsequently filled, whereas a call for application for the post of Senior System Administrator was issued and although the result was published the vacancy is still to be filled.

Procedures were also initiated to issue calls for the position of managers, one of which to be posted in the Office of the Director General.

The management also introduced new working hours for all personnel of the Department to work from 7.00am to 4.15pm or from 7.45am to 5.00pm with a 30-minute break. The majority of personnel opted for the first time-table. Management also gave the facility of a 45-minute break on Wednesday and closing hours to be 15 minutes later then the stipulated time.

Overtime hours were allocated for specified jobs and this resulted that only 77% of the allocated funds were used.

Training initiatives

GPD initiated discussions with the University of Malta on the possibility of introducing a new course on Estate Management. This initiative was accepted and the course on estate management leading to a diploma shall commence in October 2011. GPD shall also sponsor a maximum of 20 GPD personnel who decides to read for this diploma.
Conclusion

The Government Property Department’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. The other major task, which the Department is tackling seriously, is the acquisition debt problem and the capitalisation of the possession & use/public tenure compensation. In 2010, the Department has successfully concluded the capitalisation of approximately 400 acquired properties under the title of possession and use/public tenure in the Cottonera area and the complete acquisition of land by outright purchase in Santa Lucia and Rabat. The Department shall this year continue with its commitment to conclude past contracts of acquisition for the complete acquisition of areas within housing estates in order to enable HOS beneficiaries to purchase their residences. Other major commitments are the implementation of LEMIS IT Project, the continuation of finalisation of the Agricultural Land Scheme Agreements, the finalisation of the 2001 Residential Scheme contracts and the introduction of a new scheme for the grant of long leases of commercial properties to sitting tenants in order to (a) resolve the irregular occupation of property and (b) increase the revenue potential.

ALFRED BEZZINA
Director General (Government Property)
INTRODUCTION

The Land Directorate’s role within the Government Property Department is the legal aspect of government property management. This means that after the Estate Management Directorate or Joint Office has decided on the best possible use for a particular property, the issue is taken over by the Land Directorate 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 Directorate’s task to prepare tender documents, publish them and award the disposal. Likewise ad hoc Parliamentary Resolutions are prepared by the Directorate. Subsequent to the disposal of a property through lease agreements/contracts, the Land Directorate 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 Directorate, one which enables Government to carry out major infrastructure works and other projects of benefit to Maltese society.

The Land Directorate 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 directorate. 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

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 issuing 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 Directorate 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 to the Revenue Section at the Land Directorate.
During 2010, over 25,000 payments which represent 54.48% of the total payments of rent, were effected at local councils, while 1,400 payments, which represent 3.1% of the total payments, were made through the Government Property Department’s website (www.gpd.gov.mt). Clients have three options for the payment of rent - at the Department by cheque or bank draft, at 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 also the 24X7 internet banking and epos services this year.

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 Directorate 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 Directorate 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 2010, 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 146 bank accounts were opened in 2010 for a total deposit amounting to €8,755,058.103.

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.

2010 HIGHLIGHTS

Revenue Collection

During the year, no less than 70,500 rent invoices, 149 judicial letters, and over 98 lease termination warnings were issued to ensure timely recovery of rent dues. To these one has to add other efforts such as 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 total revenue of €31,380,000 excluding sales.

Abuse of government property/evictions

Serious enforcement measures initiated in 2008 continued during 2009 and 2010. Notwithstanding that the Enforcement Branch numbers five persons in all, in 2010, the Directorate can boast that enforcement action has been carried out without break and the Directorate is successfully managing to free public and government land from illegal encroachments. As a result, the Land Directorate has won the support of the
public in its commitment to stop abuse of government land. A total of 269 evictions and approximately 778 inspections on illegalities have been carried out during 2010.

**Tenders, Leases and Sales**

During 2010, the Land Department advertised a total of 154 tenders for the lease/sale of government property. A total of 551 lease agreements were concluded in terms of the Agricultural Scheme; 422 encroachment permits were issued. The latter included permits for mobile kiosks and permits for the placing of tables in public areas, one-time permits and permits for structural alterations. The Land Directorate also completed the sale of government land/property, including ex church property resulting in revenue for 2010 of €7,201,200.

**Acquisition**

In 2010, the Directorate finalised a number of acquisition deeds paying a total of €13,683,145 to owners of expropriated property; issued 85 new President’s Declarations for the expropriation of land mainly for road formation; and issued 75 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 (Cap 88).

**Releases**

In 2010, a total of 8,188 square metres of land in various localities formerly acquired in virtue of the Land Acquisition (Public Purpose) Ordinance (Cap 88) has been released back to the private owners.

**Free of Charge Services**

The Land Directorate has 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 €248,425. These services are also provided to Kunsill Malti għall-Isport.

**Projects**

The Land Directorate has 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 this year. The Land Directorate in conjunction with MIMCOL and other entities has carried out the major work in implementing the following projects:

- the reorganisation of the public transport – several sites identified and allocated;
- installation of photovoltaic panels – information given on several sites and roofs of government-owned buildings;
- Dockyard – emphyteutical grant to Palumbo;
- City Gate Project by Renzo Piano including the new site for Parliament at Misrah il-Helsien - alternative accommodation granted to 22 shop owners relocated to other sites;
- Manoel Island Yacht Yard Company Ltd – emphyteutical grant to Manoel Island Yacht Yard Company Ltd;
- Chambray Project – sale of underground facilities required for the building of a hotel;
- Midi/Tigne Project – allocation of the newly constructed football ground to Sliema Wanderers Football Club and reaching maintenance agreements on common parts located in the area;
- Verdala and St Nicholas Bastion areas in Cospicua – evictions and removing illegal structures in respect of an ERDF 104 project;
- Preparatory work required in connection with the Privatisation of Enemalta’s Petroleum Division scheduled for 2011.
Conclusion

The Land Directorate’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. The other major task, which the Directorate is tackling seriously, is the acquisition debt problem and the capitalisation of the possession and use/public tenure compensation. In 2010, the Directorate has successfully concluded the capitalisation of approximately 400 acquired properties under the title of possession and use/public tenure in the Cottonera area and the complete acquisition of land by outright purchase in Santa Lucia and Rabat. The Directorate shall in 2011 continue with its commitment to conclude past contracts of acquisition for the complete acquisition of areas within housing estates in order to enable HOS beneficiaries to purchase their residences.

ALBERT V MAMO
Director (Land)
DEPARTMENTAL OVERVIEW

The EMD’s mission is to help the Government Property Department shape and deliver Government’s immovable property agenda by providing quality property-related advice and services. EMD helps the 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, 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 2010, EMD continued the task of verification and consolidation of properties occupied by Enemalta and Heritage Malta.

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 2010, the EMD handled over 5,164 such requests/reports. In addition, the EMD carried out 2,049 property inspections, apart from giving assistance to the Land Directorate in 79 court cases. 784 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 2010, the EMD put up a total of 1,420 property drawings in connection with leases, sales and permits over
government-owned property. In addition, 3,647 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 2010, about 590 such applications were checked and, where applicable, the necessary cautions raised. The Department also investigated and resolved 125 cases of cautions and 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 2010, some 1,490 land registration plans were prepared, of which the EMD registered a total land area of 345,658 square metres.

**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 analyses and submit proposals for the issuing of tenders, taking into account factors such as demand, location, type of use, property ownership, etc. During 2010, EMD prepared and referred to the Land Directorate 144 tender proposals. In addition, 537 property valuations were carried out.

**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 Directorate for finalisation of contract of transfer. During 2010, the Government Property Department concluded the devolution/leasing agreements for 25 properties as approved by EMD.

**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, liaises with the sponsoring department and prepares the necessary plans for the expropriation. The EMD also provides technical assistance to the Land Directorate in acquisition cases taken in front of the Land Arbitration Board. In 2010 the EMD approved the release back to the original owners of 114,417 square metres of land that had been expropriated but never made use of by Government.

**Special Projects**

During 2010, 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 2010 were those related to the transfer of government-owned properties to government entities. These included the transfer of several parcels of land to Enemalta, the Malta Environment & Planning Authority (MEPA) and Malta Industrial Parks.

Facilitation of the Home Ownership Scheme

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 444 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 2010, the EMD processed and approved for leasing 636 applications, of which 551 lease agreements were signed.

Support Services

The EMD also provides support services by providing property-related information to such government bodies as MEPA, Project Design & Implementation Department, Land Registry, MIMCOL, Malta Industrial Parks, Transport Malta, and Housing Authority.

RAYMOND CAMILLERI
Assistant Director, Services
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 2010, the following properties were alienated:

<table>
<thead>
<tr>
<th>Type of Alienation</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>As per 2002 Initiative or original deed</td>
<td>395</td>
</tr>
<tr>
<td>Perpetual Emphyteusis (not part of 2002 Scheme)</td>
<td>33</td>
</tr>
<tr>
<td>As per Tenders/Exchange/Direct Disposal/Conversion</td>
<td>27</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>455</strong></td>
</tr>
</tbody>
</table>

The Department also received requests for the recognition of emphyteutae and tenants in their respective properties. In 2010, the Department processed 2,948 of these requests.

2002 INITIATIVE

This scheme was a result of Government’s announcement in the 2002 Budget Speech, that it 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 about 5,500 applications for the redemption of ground rent and for the purchase of leased premises. 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 liaises with the Estate Management Directorate for 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 2010, 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, about 25,000 forms concerning properties, listed in Annex 8 of the Church/State Agreement, were forwarded to the Joint Office by the ecclesiastical entities.

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 2010, the Control Committee approved 518 of these corrections. The Committee also signed 1,210 property forms, thus confirming the final amount due to the ecclesiastical entities in respect of the properties concerned.

The Joint Office continued to reconcile the values of properties previously owned by the 99 different ecclesiastical entities. During the year, work on another 10 entities was in hand, out of which four were reconciled; thus by the end of the year the Joint Office has reconciled a total of 57 entities. During 2010, in terms of properties, a total of 1,238 properties were reconciled.

Registration of Properties

The Department continued with the registration of property with the Land Registry in terms of Cap 358. During 2010, the Joint Office registered 555 properties. The related work entailed the drawing up of relative plans. This brought the total number of properties registered as of 31 December 2010 to 12,823.

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

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Properties registered</td>
<td>567</td>
<td>607</td>
<td>542</td>
<td>555</td>
</tr>
</tbody>
</table>

REVENUE COLLECTION

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

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rent</td>
<td>1,416,501</td>
<td>888,428</td>
<td>1,066,711</td>
<td>1,371,097</td>
</tr>
<tr>
<td>Sales</td>
<td>4,959,101</td>
<td>13,266,255</td>
<td>2,310,012</td>
<td>5,188,321</td>
</tr>
<tr>
<td>Total</td>
<td>6,375,602</td>
<td>14,154,683</td>
<td>3,376,723</td>
<td>6,559,418</td>
</tr>
</tbody>
</table>

45% of the amount of rent collected during 2010 consisted of arrears. This was the result of an ongoing enforcement exercise undertaken by the Joint Office in conjunction with the Land Directorate.

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 2010, this Committee met eight 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. 327/2010 the sum of € 430,700 in Government Stock was issued to the Foundation for Church Schools in respect of property alienated in the previous year.

**Co-ordination with the Estate Management Directorate and Land Directorate**

For the further co-ordination and related co-operation of the Joint Office with the other directorates forming the GPD, namely Estate Management Directorate and the Land Directorate, considered to be essential for uniformity in adapting common policies of the Department, it was decided that the Joint Office be moved to the Auberge de Bavière so that now all directorates forming the department are housed under one roof.

**Conclusion**

The Government Property Department’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  
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