

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



Strategy and Operations Support Office

BACKGROUND

The overall purpose of the Strategy and Operations Support Office is to maintain a dedicated capability for the planning and execution of long-term and strategic programmes; and projects arising from the Business and Financial Plans of the Ministry. These programmes and projects generally have a service-wide application but may include initiatives limited to the Ministry of Finance, the Economy and Investment. The major works undertaken by the Strategy and Operations Support Office in the year under review were related to five specific areas: (a) accounting practices; (b) organisational reforms; (c) procurement practices; (d) EU practices; and (e) international institution co-ordination.

ACCOUNTING PRACTICES

The changeover to the accrual accounting methodology is continuing. The Strategy and Operations Support Office works in close collaboration with the Treasury Department to implement best accounting practices. The focus has been to increase the quality of the accrual accounting data being compiled by the various ministries and their respective departments. This has been possible through the strengthening of the Accrual Accounting Methodology Compliance Unit within the Treasury Department; continuing the accounting training programme; and the regular and continuous revision of the accounting standards and guidelines.

The practice of issuing Accrual Accounting Financial Statements for internal appraisal has continued on a yearly basis since 2003. However, the quality of these statements has been continuously increasing as accrual accounting disciplines have been adopted by the respective departments. Furthermore, Treasury Department staff has made enormous effort to guide the various departments and monitor the accounting data quality. The long term accounting training course leading to “A” standard, which commenced in 2006, was completed. About 100 participants successfully completed the training programme, with about 5% successfully sitting for the “A” Level Accounting examination.

A Project Board, chaired by the Accountant General was established in 2008 with the objective of replacing the current Departmental Accounting System (DAS) which is viewed as being obsolete. The technical and business needs tender specifications which were completed some time ago are being revised by a Project Board sub-committee. Once the new accounting system is procured, the accrual accounting methodology may take a more prominent role in the financial management of Government.

Furthermore, a preliminary revision of the Financial Administration and Audit Act, 1962 (Cap. 174) and its respective regulations has been conducted. Currently, a working group has been established within the Treasury Department to examine the preliminary reviewed Financial Administration and Audit Act and draft the Public Finance Management Act to replace the current legislation. The Public Finance Management Act is to regulate financial management in Government; to ensure the effective and efficient management of all assets and liabilities, cash flow, and revenue and expenditure of the Government; to define responsibilities of officers entrusted with the financial management of Government; and to provide for other matters related with or incidental to the purposes aforesaid.

Accrual accounting will have a major impact on the way the internal financial business of Government will be conducted, particularly in areas of cash flow management, asset management and the management of

debtors and creditors. This financial reform process will cross Ministerial and Departmental organisational boundaries and have a major influence on the Departmental processes related to their day-to-day financial administration. Accrual accounting will provide more meaningful financial information that will enhance the quality of the Government's financial decision-making process. It will provide an in-depth understanding of the overall financial position of the Government, providing a sound basis for long term financial planning, in such areas as asset replacement planning, management of debtors and creditors and cash flow predictions.

ORGANISATIONAL REFORMS

An extensive implementation strategy has been defined with the aim of merging the revenue earning departments. This consists of merging the Inland Revenue, Customs, Tax Compliance Unit and the VAT Department as a single united entity. The formulated strategy is the result of close collaboration of the relevant departments involved and extensive research of a number of tax administrations in European and non-European countries. The defined strategy has been discussed internally and accepted in principle. However, the decision whether to proceed with the recommendations is still under consideration.

PROCUREMENT PRACTICES

An eProcurement Project Taskforce, chaired by the Director General (Contracts), has been established to provide the appropriate project strategic direction and implement the strategy that has been defined for the Contracts Department in line with EC Communication document, COM 2004/841/EC, entitled *Action plan for the implementation of the legal framework for electronic public procurement*.

The strategy for the implementation of eProcurement in the public sector takes a corporate view of Government. The objective is to introduce eProcurement services that include ePublication, eTendering, eAuction, eCatalogues, eOrdering, eInvoicing, and ePayments. Hence, there is the possibility that most of the paper work related to the procurement function may be eliminated reducing the cost and time required to process procurement transactions. This project has an impact on the public sector as the purchaser and the private sector as the prospective supplier. Special emphasis is being given to promoting the participation of SMEs in the procurement process. The cost-benefit analysis suggests that the Government may make substantial savings through the introduction of eProcurement. The saving will be the result of aggregating procurement across Government and through extensive business process reengineering.

EU PRACTICES

The Strategy and Operations Support Office co-ordinates all activities related to the EU Own Resources to ensure that all queries and communication with the EU Commission related to Malta's financial contribution to the EU are synchronised and any information given is consistent and timely. A task force has been established consisting of members from the VAT Department, Customs Division, Economic Planning Division, NSO, EU Paying Authority, and the Budget Office. Regular internal meetings are held to discuss issues and outstanding EU Commission matters. These internal meetings facilitate the preparatory work for three interrelated tasks:

- computation of financial forecasts regarding VAT and GNI to be provided to the EU Commission;
- consolidation of information in preparation for attending working group meetings, particularly those related to reforms in how EU Member States are to calculate their specific contribution; and
- preparing for EU Audit Missions related to VAT, GNI and Traditional Own Resources.

INTERNATIONAL INSTITUTION CO-ORDINATION

The Strategy and Operations Support Office co-ordinates all activities related to resolutions and meetings that need to be attended at the World Bank, IMF, Multilateral Investment Guarantee Agency, International Bank for Reconstruction and Development, International Finance Corporation, European Bank for

Reconstruction and Development, European Investment Bank, and European Council Development Bank. Other international institutions that are actively monitored include the European Group for Public Policy (EGPA), and the UN Trade and Development workgroup on International Standards of Accounting and Reporting (ISAR).

During 2008 the Director General (Strategy and Operations Support) participated in a joint research paper entitled: *Comparing public service motivation within various Europe countries: do institutional environments make a difference?* The countries participating in this joint research paper included: Austria, Belgium, Italy, Malta, Netherlands and Switzerland. The findings of the research paper are anticipated to be published in an accredited international journal in 2009.

In 2008 the Director General (Strategy and Operations Support) participated in a book publication entitled: *Handbook of Research on Data Mining in Public and Private Sectors: Organizational and Government Applications*. This handbook is edited by Dr Antti Syväjärvi, Professor, Department of Social Science Research, University of Lapland, Finland and Dr Jari Stenvall, Professor Department of Management Studies, University of Tampere, Finland and published by IGI Global. The contribution by the Director General (Strategy and Operations Support) is a chapter entitled: *Data Mining and the Project Management Environment*. This publication is scheduled for 2009.

CONCLUSION

The Strategy and Operations Support Office will proactively seek participation in projects that support the strategic direction of the Government in general and the Ministry of Finance, the Economy and Investment in particular. The Strategy and Operations Support Office is committed to utilising as much as possible the internal resources of Government such as, MITTS, MEU, SDO, Treasury Department and other relevant departments to minimise the implementation expenditure of the various initiatives undertaken. Furthermore, the level of project participation will be commensurate with the available resources and the priorities established by the Ministry.

EMANUEL CAMILLERI

Director General (Strategy and Operations Support)

Tax, Pay and Social Welfare Policy Directorate

BACKGROUND

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

ASSIGNMENTS UNDERTAKEN

Taxation

A number of policy issues, both domestic as well as those which form part of our international obligations are referred to this Directorate by the VAT, Inland Revenue and Customs Departments for direction and formulation. Within this context, consultations with the impacted sectors of the business community have taken place to obtain feedback so as to be able to formulate policy proposals which incorporate such views.

Fiscal Instruments

The Directorate works closely with other departments/entities both within the Ministry and across Government to assist in the establishing of rates which are not solely aimed at generating revenue but also take into consideration the prevailing social and commercial realities. In this context, it has recommended the adjustment of a number of excise duty rates such as fuels, alcohol and water.

Infringement Proceedings

The Directorate contributed towards the closure of a number of infringement proceedings instituted by the Commission. Following close co-ordination between the Directorate and the line departments, TAXUD has decided to close four Maltese taxation cases which it had previously been investigating. One related to the confiscation of a van, another related to VAT levied on motor vehicle registration tax while the other two related to the treatment of interest on capital and capital gains. The Directorate is also co-ordinating the effort to address another infringement relating to motor vehicle registration.

Motor Vehicle Tax Reform

The motor vehicle registration and annual circulating tax reform is an issue which has taken up a substantial part of the Directorate's resources. A number of diverse and conflicting issues needed to be considered including the existing fleet of vehicles, the new registrations, the concerns of the dealers and importers, environmental issues and obviously the impact on government revenue brought about by any new proposal. The Directorate has contributed towards the conclusion of the drafting of a Bill entitled Motor Vehicles Registration and Licensing Act which will come into effect on the 1 January 2009. This has involved the holding of continuous meetings, both internally within the Ministry as well as with MITC, MEPA, the legal advisors and the impacted stakeholders.

Committees

The Directorate is represented in a number of committees and working groups within Government. The most important being:

- the Joint Negotiating Team which addresses issues relating to public service conditions, pay and allowances;
- the Collective Bargaining process with public sector entities;
- Projects Selection Committee within OPM that has the function to adjudicate proposed ERDF projects for eligibility for EU funds.

Budget

While the Budget Office's role is to balance Government revenue and expenditure on a macro level according to projected levels, this Directorate's role complements this process by assessing and costing individual micro measures, some of which are put forward by the public in the pre-budget process while others are directly referred by the Ministry.

Social Welfare

Evaluation of different policy proposals takes places on an ongoing basis.

Financial Policy

The worldwide financial turmoil has brought about a surge of regulatory activity in this area in the form of a substantial number of policy proposals and communications by the Commission through the Financial Services Committee.

IMAN SCHEMBRI

Director (Tax, Pay and Social Welfare Policy)

Financial Policy Development and Analysis Directorate

VEHICLE REGISTRATION TAX

It is estimated that during 2008, revenue from this tax amounted to €53 million. Most of the Financial Policy Development and Analysis (FPDA) Directorate's efforts were dedicated to the reform of the vehicle registration tax, including a technical proposal whereby M1 vehicles entering into Malta would be taxed on the basis of their carbon dioxide emissions, particulate matter, length and value. Several meetings were held with the Malta Transport Authority, the Malta Environment and Planning Authority, the Malta Standards Authority, the Permanent Representation in Brussels, the Association of Car Importers (ACIM), the Chamber for Small and Medium sized Enterprises (GRTU), the Used Vehicles Importers Association (UVIA) and other associations. The proposal included also the reform of the annual licence, this being replaced by an annual circulation licence, which factors in the carbon dioxide emissions and age of a vehicle. Also, all M1 vehicles which had been registered until 31 December 2008 under the old licensing system were migrated to the new system, the annual circulation licence being based on engine capacity and age.

The first phase of the reform also included motorcycles, where the registration tax is calculated on the basis of a motorcycle's engine capacity and invoice value.

A proposal regarding the valuation of imported used M1 vehicles and motorcycles was made, aimed at addressing a number of infringements which had been raised by the European Commission. Agreement was also reached with CAP (UK), whereby a representative sample of models collected locally is inferred on the CAP's register, enabling Government to produce an estimated market invoice value for each used car entering into Malta. The valuations are accessible through the portal www.ereg.gov.mt.

A number of *ad hoc* transitional arrangements had to be catered for, including the lifting of the minimum tax for used cars imported from non-EU and EEA countries prior to budget day.

Work on enhancing the methodology on how valuations are calculated will continue during 2009. It is expected that, during 2009, most of this Directorate's effort will be dedicated to consolidating the work that was carried out during 2008 and to embark also on the reform of the registration tax for commercial vehicles.

FINANCIAL POLICY

Policy Areas

A review of all standing financial regulations and circulars was carried out and a number of priority areas including travel, transport, telephony, utilities and hospitality were earmarked. This activity will underpin the financial management framework, promoting efficient, effective and sustainable policies and procedures that best reflect practices and provide for appropriate reporting mechanisms on government financial data.

In this regard, this Directorate was also appointed to represent the Financial Policy and Management Division on a working group which was set up with terms of reference to draft the Public Finance Management Act that will replace the Financial Administration and Audit Act and General Financial

Regulations. Members of the working group include the Budget Office, Treasury, National Audit Office and the Internal Audit and Investigations Directorate. A draft is expected to be submitted to the Permanent Secretary, Ministry of Finance, the Economy and Investment by the end of 2009.

Transport

Annual expenditure by government ministries and departments amounted to an estimated €11.1 million during 2008. In the course of 2008, this Directorate was assigned the responsibility for transport policy and management. The implementation programme of the Fleet Management System service-wide was continued and it is expected to be completed during 2009. This Office was also assigned the handling of all requests for the purchase, lease or hire of vehicles by government ministries, departments and public sector entities. Work on consolidating the transport policy was embarked upon. This aimed at having a younger, smaller and more efficient fleet of vehicles that will meet the demands of Government. An exercise whereby benchmarks which highlight vehicles that are potentially under-utilised was carried out. A programme which entails better management of the transport fleet, including replacement, transfer, etc was also embarked upon and will be consolidated in the coming future. A programme which aims at reducing the amount of carbon dioxide that is emitted by the government transport fleet was embarked upon and this programme will be consolidated during 2009.

Utilities and Telephony

Annual expenditure by ministries and departments amounts to an estimated €20.1 million hence the need to consolidate expenditure in this area. Benchmarks were established under an initiative whereby government ministries and departments contribute towards the planting of trees, with a view towards corporate social responsibility and reducing carbon dioxide emissions. Also, discussions with mobile telephone service providers were begun with a view of having service-wide agreements which will provide Government with a better value for money service.

Obesity

The FPDA Directorate was appointed to represent the Ministry of Finance, the Economy and Investment on the Intersectoral Committee to Counteract Obesity (ICCO). The ICCO is responsible for:

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

Claims

This directorate was also assigned the responsibility of assessing claims made against Government by third parties. Such claims normally relate to out-of-court settlements which relate to injuries and accidental deaths. Claims against Government amounted to over €2 million during 2008.

Loans

During 2008, this Directorate was also assigned the duty of assessing requests by local councils to enter into agreements for loans to fund projects. Such requests amounted to over €0.5 million during 2008.

School Transport System

Further to a report by the NAO regarding the school transport system, a number of meetings with the Education Division were held, following which a number of recommendations were submitted to the Permanent Secretary, MFEI. The recommendations included both short-term and long-term solutions.

Budgetary Measures

A budgetary measure that was implemented by the FPDA Directorate was the setting up and administration of a grant scheme whereby officially recognised sport associations can benefit from a grant of 15.25% on the capital expenditure incurred on their sport facilities.

Another budgetary measure which this directorate helped in its implementation was the deduction, for income tax purposes, of the membership fee paid by those parents who send their children to recognised sport associations and this deduction being capped to €100.

Both budgetary measures were intended to address the obesity problem of our children.

EGPA 2009 Conference

The Government of Malta will be organising an international conference together with the European Group for Public Administration (EGPA) between 2 and 5 September 2009. During 2008, this directorate embarked on the preparations for this conference, including venue, transport, keynote speakers, equipment, accommodation, etc.

It is expected that around 400 delegates, including academics and practitioners, will attend this conference, with the theme *The Public Service: Service Delivery in the Information Age*. Further information is available through the portal www.egpa2009.com.

Pandemic Preparedness

During the course of 2008, this directorate represented the Permanent Secretary, Ministry of Finance, the Economy and Investment on the National Pandemic Preparedness Committee (PPC). This committee was chaired by the Principal Permanent Secretary. The committee is made up of high ranking officials from various ministries as well as a representative from the Opposition. This directorate chaired a sub-committee on costs related to preparedness, these amounting to an estimated €5 million. The PPC will now be integrated with the Civil Protection Council (CPC).

Investment Facility Committee

During 2008, the FPDA directorate began representing Malta as a member on the Investment Facility Committee (European Investment Bank). The Investment Facility (IF) is a revolving fund, i.e. loan amortisation will be re-invested in new operations.

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

HERALD BONNICI

Director (Financial Policy Development and Analysis)

Treasury Division

DEBT MANAGEMENT DIRECTORATE

MAIN FUNCTIONS

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

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

In order to meet the borrowing requirements, to date the Government's policy has been that of relying, almost exclusively, on issuing domestic currency dominated stocks in our domestic market and to avoid raising funds on the international markets. By the integration of Malta into the eurozone and the changeover of the Maltese lira into the euro on 1 January 2008, such events have brought new challenges and opportunities vis-à-vis achieving the above stated objectives.

Furthermore, as part of its cash management activity to cover any short-term revenue shortfalls, Government conducts weekly auctions for the issue of Treasury bills, being *temporary borrowing* usually of 91-day tenor but issues will also include a mix of the 28 day, 273 day and 364 day Treasury bills.

For its loans in foreign currency, the Central Government has to date only tapped international sources, mainly other foreign Governments and international institutions. To date, the Directorate does not borrow for lending activities.

In the course of the year under review, the Directorate initiated a recruitment exercise with a view to build a strong analytical capability with the appropriate technical staff over a medium to long term process to enable it to embark upon the initiatives that have been entrusted to its remit.

Treasury Bills

The issuance of Treasury bills has a dual role. The primary role is to cover the temporary revenue shortfalls of Government and the secondary role to maintain the Bill market.

Treasury bills are offered by public auction on a weekly basis and are issued in denomination of €1,000 with a range of tenors of 28 days, 91 days, 182 days, 273 days and 364 days.

As from 1 April 2007 Treasury bills were dematerialised and were admitted to listing and trading on the Malta Stock Exchange, while the Treasury bill yields started to be computed on Actual/360 days basis.

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

The outstanding balance as at 31 December 2008 was €365,804,000 representing an increase of €10,868,000 over the amount outstanding at end of 2007.

Interest rates paid ranged between a low of 4.1313% for 91 day Bills issued on 22 February 2008 and redeemed on 23 May 2008, and a high of 5.044% for 182 day Bills issued on 20 June 2008 and redeemed on 19 December 2008. Yet the weighted average rate of interest paid on Treasury bills redeemed during 2008, which amounted to €1,018,943,853 in nominal terms, reached 4.482%.

During 2008 Treasury accepted Treasury bills offers amounting to €1,032,627,000 categorised by tenor and the respective amounts of the Bills as listed hereunder:

Tenor	Percentage of <i>Volume</i>	Amount (€) <i>Nominal</i>
28 days	5.79	59,744,000
91 days	58.43	603,390,000
182 days	29.11	300,600,000
273 days	6.67	68,893,000
364 days	0	0

Such interest rates for temporary borrowing are determined by the money market which in turn is influenced by the repo market rates.

Government Bonds

In terms of the 2008 Budget Measures Implementation Act (Act XXXII of 2007) the issuance target of Government Securities (namely, Malta Government Stock) for financial year 2008 was set not to exceed €300 million. The issues of such stocks are applied for the purpose of:

- financing the borrowing requirements,
- re-financing 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.

The Directorate has to service the half-yearly issue of Dividend warrants to existing stockholders.

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

During 2008 the Directorate arranged to redeem two MGS issues which matured during the year, representing the sum of €93,175,796 million, and issued fungibility stocks, staggered over three issues, which in total raised the sum of €287,368,600 million, and a placement of two MGS amounting to €6,869,300 million towards the partial settlement of ex-Church property.

The Directorate continued to pursue its current issuance policy with the issues of fungible MGS with a view to continuing to top up the existing larger MGS issues so as to contribute to a further deepening in the liquidity of current benchmark issues.

With a view to maximise the potential benefits of Malta's membership of the eurozone, the Treasury has set up a working group that is made up of officials from the Treasury, the Economic Planning Division, the Central Bank and the Stock Exchange. The role of this working group is to assess the various strategic options available to best achieve the key objectives of debt management particularly in this new scenario for the country. Moreover, as the existing laws and regulations on central government borrowing do not cater for the marketing of government securities issuance to investors on the international market, a legal team was appointed in October 2008 with the purpose of making recommendations as to how Maltese

legislation on debt laws can be improved upon to accommodate, amongst others, the marketing of government securities on the international markets if and when conditions are right.

Another initiative undertaken by the Directorate was the introduction of a combined prospectus which regulates the entire sum on issue when it is offered under two or more different stocks without the respective amount for each stock being specified. The offer price for each issue is announced normally 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.

Foreign Loans

These loans are specifically issued to finance capital projects. A total of €7.57 million was repaid according to the repayment schedule resulting in an end-of-year balance of €113.95 million.

GOVERNMENT ACCOUNTS DIRECTORATE

ACCOUNTING OPERATIONS

Accounts Section

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

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

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

Batches	Cheques	Value €
11,612	148,292	331,835,959

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

The year 2008 showed the tangible results achieved by the Directorate through a flawless change over to the euro. Cash Office staff were well prepared for the change and handled transactions with no difficulty.

As in previous years, bank reconciliation was undertaken by the Cash Office and the manual process for outstanding transactions from 2002 to 2007 is practically 100% complete. Manual reconciliation for 2008 is 65% complete. Liaison and co-ordination with MITTS and departments was maintained to ensure that the process progressed smoothly.

During 2008 an audit was carried out by staff from the Quality Service Charter Unit to ascertain that the Cash Office was fulfilling the obligations mentioned in the charter document. In most regards the Quality Service Charter Unit's representatives were satisfied with the Section's performance. Recommendations were also put forward to fine tune the document with a view to bringing it more in line with the day-to-day workings and services of the section.

A total of 704 stop payments and 517 Garnishee Orders were handled.

Bank Transactions Unit

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

Transaction Type	Number	Value €
Debit Advice (Local)*	2,273	1,261,241,411
Debit advice (Foreign)	129	12,019,108
Funds transfers	2,099	56,294,464
Draft	1,016	4,889,418
Letter of Credit	2	43,091
Travel	4,053	3,054,522

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

Verifications Unit

The Verifications Unit was set up in 2008. The main objective of this Unit is to carry out the verification of payments being processed and other payments already processed and paid by government departments, as defined in Legal Notice 185 of 2007, amending the General Financial Regulations. Verification officers are responsible to:

- verify that the incidence of charge is correct;
- verify that the payment will not cause an excess on the provision authorised for the service;
- verify that adequate information has been given on the voucher on the nature of the services rendered or the supplies delivered;
- verify that the certificate has been signed by the proper officer.

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

Batches of Payment Vouchers for Verification

During the year under review, authorised officers within this section carried out verifications on batches containing payment vouchers which were processed for payment during 2007 and 2008 as follows:

Total verified Batches for 2007: 50
Total verified Batches for 2008: 128

A report in respect of the verifications carried out is prepared on a quarterly basis.

Identified Weaknesses

A number of weaknesses were identified during verification including: lack of VAT receipts from suppliers; copies of fuel requisition and issue notes provided instead of the originals; incorrect invoice number on payment voucher; payment vouchers/abstract without authorised signature; incorrect incidence of charge; itemised telephone bills not provided; payments under a factoring agreement not always indicated; and backdated invoices, amongst others.

Furthermore verification officers requested clarifications through the submission of copies of tender documents, contracts, and other approvals from Financial Management & Monitoring Unit and the Ministry of Finance, the Economy and Investment, as the case may be, in order to confirm adherence to the Financial Regulations.

Whenever a high risk area was encountered, the National Audit Office and the Budget office were informed so that action could be taken.

Travel

As from 2008, the verifications of post-travel documentation on visit abroad have been undertaken by the Verifications Unit.

During 2008 checking of pre-travel documentation was carried out more rigidly and departments instructed, wherever omissions were noted, to abide by established procedures. A system of close co-ordination between Treasury and the Ministry of Finance, the Economy and Investment was strengthened ensuring that departments strictly followed regulations and ascertaining that any deviations from such were duly authorised by Ministry of Finance, the Economy and Investment.

During the year, Treasury continued with the maintenance of the 2005-2008 travel databases and the verification of documents following overseas travel effected in 2008. Provisional figures show that over 3,973 visits abroad have been recorded for 2008, as per following table:

Year	Total Visits Recorded
2005	3,248
2006	3,684
2007	3,863
2008	3,973

EU Funds Management

The role of the EU Funds Management Unit is to ensure the efficient management and control of the EU Funds allocations. The main functions of the unit are:

- to ensure that sound accounting procedures relating to requests for payment are being applied at all administrative levels;
- effect payment after careful verification of the compliance of the invoice with national and European rules;
- record of all payment transactions in *ad hoc* accounts;
- reconcile accounts; and,
- provide substantiating documents to all the relevant stakeholders involved in the EU Funds.

In 2008 the EU Funds falling under the direct responsibility of the Unit comprised of the:

- Transition Facility;
- Structural Funds and Cohesion Fund 2004-2006;
- Community Initiative EQUAL;

- ERDF, ESF and Cohesion Fund falling under Cohesion Policy 2007-2013;
- External Borders, European Refugee and Return Fund falling under EU Migration Policy 2007-2013;
- European Globalisation Adjustment Fund (EGF);
- EEA and Norwegian Financial Mechanism.

During the period under review, the unit transferred 2,342 payments, an average of 195 payments per month. The below table summarises the payments made throughout the year by their respective fund.

	National €	Community €	Total Value €	No. of Payments
Transition Funds	514,512	4,414,974	4,929,486	118
Structural Funds 2004-2006	9,032,635	17,776,762	26,809,397	1,879
Cohesion Fund 2004-2006	4,353,453	7,325,623	11,681,076	61
Community Initiative EQUAL	91,649	226,562	318,211	167
Cohesion Policy 2007-2013	1,720,321	516,005	2,236,326	115
EGF	1,014	746	1,760	2
Total	15,715,584	30,260,672	45,976,256	2,342

Throughout the year preparatory works were carried out to facilitate the payment process of the 2007-2013 Programming Period and the European Globalisation Adjustment Fund. In view of this, progressive meetings were held with the Planning and Priorities Co-ordination Division within the Office of the Prime Minister and MITTS in order to enhance the new Structural Funds Database, the system which assists the management of Cohesion Policy 2007-2013 and EEA and Norwegian Financial Mechanism. In respect of Migration Policy 2007-2013, an *ad hoc* Financial Information System has been internally developed. It is anticipated that tests on the system will be completed by first quarter of 2009.

ACCOUNTING METHODOLOGY AND CONTROL

Accounting Methodology and Compliance Unit

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

During the year the Unit expanded its functions in preparation for the introduction of a new corporate financial solution across Government as follows:

- *A new Corporate Financial Solution:* The Unit is represented on a Project Board appointed for this purpose which has formulated a vision for a new Corporate Financial System. The way forward has been officially approved and up to the time of writing this report the Project Board was at an advanced stage in the preparation of the business requirements.
- *Accrual Accounting Work Group:* Treasury has been meeting with all Directors Corporate Services in the ministries/departments to scrutinise the accrual based information submitted by the latter during the year. For this reason an Accrual Accounting Work Group (AAWG) has been established consisting of members from Treasury, MITTS, and the Internal Audit & Investigations Directorate. At this forum Directors Corporate Services/Directors Financial Management and other representatives from the respective ministries/departments are called to discuss and scrutinise their accrual based statements. The ultimate objective of the AAWG is to facilitate the way towards business process re-engineering and implementation process of the new financial corporate solution, by identifying key resources from each ministry and department to ensure that these officers are groomed to become leaders and promoters of change within their respective departments.

- *Public Finance Management Act*: The legislative aspect requires the enactment of a Public Finance Management Act to replace the current Financial Administration and Audit Act. This will ensure a sound legislative basis for the management and control of public finance in line with the proposed accounting framework. A Project Board has been appointed for this purpose and is currently reviewing the legislation.

OTHER INITIATIVES

Single European Payment Area (SEPA)

The SEPA is a long term project. A project brief has been prepared and a Project Board has been set up with representatives from Customs, Inland Revenue, VAT, Social Security, Central Bank of Malta, Treasury, MITTS and the Ministry of Finance, the Economy and Investment.

The project work will encompass both the business and IT side. Members representing the VAT, Inland Revenue, Social Security and Customs were informed to initiate discussions with their MITTS representative on the IT aspects and its impact on the business side. Currently, the Central Bank of Malta in collaboration with the Treasury started piloting some payments in SEPA. This testing is on a continuous basis. Staff members of the Treasury have attended training organised by the Institute of Financial Services, MFSA and the Central Bank of Malta.

NOEL CAMILLERI

Director General (Treasury)

Economic Policy Division

BACKGROUND

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

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

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

ECONOMIC STRATEGY DIRECTORATE

Budgetary Process

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

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

Furthermore, during 2008, the Division provided input for the macroeconomic section of the Pre-Budget Document 2009 (Together for a Sustainable Future).

EU Economic Policy Co-Ordination

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

The Economic Policy Division 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.

During 2008, the Division provided direct input to the preparation of Malta's *Update of Stability Programme 2008-2011*. This Stability Programme constitutes an update of the *December 2007 Stability Programme 2007-2010*. The Stability and Convergence Programmes are important documents within the framework of the EU's multilateral surveillance of budgetary positions and the surveillance and co-ordination of economic policies.

The Update of Stability Programme 2008-2011 includes macroeconomic forecasts, budgetary projections, an in-depth analysis of the fiscal situation and Government's fiscal policy, sensitivity analysis as well as an overview of the long-term fiscal sustainability. The analysis is conducted within the framework of the requirements set out by the Stability and Growth Pact. The document was compiled in collaboration with the Budget Affairs Division of the Ministry of Finance, the Economy and Investment and the Treasury, and with important inputs being received from the National Statistics Office as well as various ministries and entities.

Furthermore, towards the end of December, Malta submitted an Addendum to the Update of Stability Programme. This Addendum provides details on the budgetary stimulus measures adopted by the Maltese Government in the framework of the European Economic Recovery Plan.

The Economic Policy Division participated in the assessment of Malta's Stability Programme 2007-2010. In particular, it presented Malta's position in the Economic and Financial Committee (alternates) and contributed towards the preparation for the relevant Economic and Financial Committee and ECOFIN meetings.

During 2008, the Division continued to provide information on the domestic economic situation and on the economic policies and measures that are being pursued by Government to the European Commission and other relevant parties. In particular, the Division co-ordinates closely with Commission officials from DG ECOFIN 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 ECOFIN.

In January 2008, the Division participated in the country examinations meeting held by the EPC. The aim of this meeting was primarily to draft the updated country-specific conclusions, following the submission by Member States of their 2007 Annual Progress Reports on their National Reform Programmes (NRP). In July, the Division participated in a meeting with officials from the European Commission on the Implementation of the Growth and Jobs Agenda. The Division provided input to the drafting of the NRP 2008-2010 which was submitted to the European Commission in October 2008. In September 2008, the

Division participated in a thematic country review session held by the EPC, which dealt with flexicurity with a specific focus on tax and benefit reforms.

Malta Council for Economic and Social Development

The Division is represented in the Malta Council for Economic and Social Development and during 2008 it continued to participate actively in its proceedings. Furthermore, as in previous years, the Economic Policy Division computed and presented the relevant cost-of-living adjustment for 2009 as stipulated in the Incomes Policy Agreement of 1990.

National Econometric Modelling

The Division has two econometric models of the domestic economy. One model is used to produce short-term forecasts for the main macroeconomic indicators. The purpose of the second model is to undertake economic policy simulation exercises and to provide a framework for medium-term forecasts. During 2008, the Division pursued work related to strengthening its econometric modelling capability.

The short-term model 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 ECOFIN. Such forecasts were also used for the preparations for the Budget and the Update of Stability Programme 2008-2011.

The second disaggregated model was used on a number of occasions for the preparation of scenario analysis, including sensitivity analysis assignments as well as policy simulation exercises. This model is being further fine-tuned in order to reflect better the realities of the Maltese economy and to modify the way in which a number of important relationships within the model are calibrated.

International Institutions

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

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

In addition, during 2008, the Economic Policy Division was an important focal point in the extensive discussions held with representatives from the International Monetary Fund (IMF) who visited Malta in May for the Article IV consultation. Such visits are followed by published reports on the local economic scenario. As part of the preparations for the mission, the Economic Policy Division prepared a series of analysis covering various aspects of the domestic economy.

Pension Modelling

During 2008, the Division carried out technical work, in collaboration with World Bank experts, in connection with the preparation of long-term pension projections, as part of the long-term age-related expenditure projections being prepared by the EPC's Ageing Working Group. These projections were carried out using the World Bank's Pensions Reform Simulation Toolkit (PROST) model. The projections are based on commonly agreed demographic and macroeconomic assumptions. These projections take into account the pension reform approved by Parliament in December 2006.

On the basis of these updated projections, Malta's country fiche on pension projections 2009 was submitted to the EPC's Ageing Working Group in November 2008 and the peer review of these projections was held by this Working Group in December.

During the year, officers from the Division continued to provide technical support to the Ministry for Social Policy for the purposes of a pension modelling effort co-ordinated by the Indicators Sub-Group of the Social Protection Committee aimed at calculating pension adequacy indicators on the basis of European Commission guidelines and also OECD methodology.

Furthermore, on the local front, the Director General is a member of the Pensions Working Group, which has been set up by the Ministry of Social Policy. The Division will contribute to the work of this working group through the modelling of alternative scenarios of systemic reform models.

Financial Perspectives 2007-2013

During 2008, the Division continued to provide support and input for the monitoring of developments regarding the Financial Perspectives 2007-2013. This included estimates for the Preliminary Draft Budget for 2009 with respect to Malta's net budgetary position. Furthermore, the Division provided technical input for the formulation of a Malta position on the EU Budget Review.

The Division is also involved in the Task Force on Own Resources which carries out work related to the Advisory Committee on Own Resources (ACOR). It provides technical input in line with its expertise related to the financial perspectives. In addition, the Division also participated in ACOR forecast meeting held in Brussels and was involved in the forecasts of GNI and VAT base estimates for 2008 and forecasts for 2009.

Economic Implications of EU's Climate Change Package

The Division provided technical economic input on aspects and proposals in the EU's Climate Change Package, especially on issues relating to the review of the EU's Emissions Trading Scheme. In particular, the Division carried out modelling work to analyse the direct cost of exceeding the proposed emission targets in energy and transport. This analysis also included a number of scenarios.

Research and Publications

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

The Division has participated in the public debt management strategy committee. It also participated in the Working Group set up by the Ministry for Social Policy at the request of Cabinet to develop an integrated, acceptable and visible flexicurity pathway for Malta. This group presented its report in August 2008, and the flexicurity pathway was included in the NRP which was submitted to the European Commission in October 2008.

The Economic Policy Division, together with the Ministry for Social Policy is involved in work undertaken in collaboration with the European Centre for Social Welfare Policy and Research in Vienna (ECV) as part of the Improving the Capacity and Usability of EUROMOD (I-CUE) project. This project is meant to assess the feasibility of extending Euromod (which is a micro-simulation model of the tax/benefit structure) to the new Member States. In April, the Division took part in the I-CUE Final Conference *Tax-benefit Microsimulation in the Enlarged Europe: Results from the I-CUE Project and Perspectives for the Future* and presented its findings on Malta's feasibility study for the implementation of I-CUE Euromod to Malta.

The Division published the Economic Bulletin April 2008. This document reviews recent economic developments, and also includes analysis of selected specific economic themes in line with internal economic research carried out by the Division.

Moreover, the Division published the Economic Survey November 2008. This document which is presented to the House of Representatives at the beginning of discussions on Government's budgetary estimates, provides a comprehensive analysis of Malta's recent economic performance and emerging economic trends, as well as an overview of international economic developments.

During 2008, the Economic Policy Division continued to hold active discussions with the Central Bank of Malta on the co-ordination of economic policies with a view to ascertain an optimal macro environment for further economic growth. It regularly collaborates with the Central Bank of Malta in areas of mutual interest, as well as to discuss local economic developments and prospects. The Division also continued to sustain contacts with similar organisations abroad.

INTERNATIONAL ECONOMIC RELATIONS DIRECTORATE

The Common Commercial Policy

The Article 133 Committee is a trade co-ordination and advisory committee to the European Union covering all aspects of trade policy. The Division, in liaison with the Permanent Representation in Brussels, has constantly monitored and analysed developments that took place during the Article 133 Committees in order to ensure that Malta's views and interests are taken into account in the formulation of the EU's *common commercial policy*.

- *Article 133 Titulaire:* During 2008, the Article 133 (Titulaire) Committee was consulted on a number of trade policy issues. Some of the most important issues discussed include progress on the World Trade Organisation (WTO) Doha Development Agenda (DDA) negotiations, WTO accessions, negotiations on various bilateral trade agreements with third countries/regions, the market access strategy, the EU raw materials initiative, the Transatlantic Council and other issues.
- *Article 133 Deputies:* The Article 133 (Deputies) Committee discussed a number of issues which included the EU's position in the WTO DDA negotiations, Free Trade Agreements (FTA) negotiations with ASEAN, India and South Korea and Association Agreements, a mandate for a framework Agreement with Libya, an Anti-Counterfeiting Trade Agreement (ACTA) and relations with the US and Canada, amongst others.
- *Article 133 Services:* The Article 133 (Services) Committee focused on several issues that relate to trade in services. The Committee undertook significant work on preparing a services offer in the context of the WTO DDA negotiations, in particular with respect to a possible offer on mode 4 (temporary movement of specialised persons) to WTO partners. Discussions were also undertaken concerning internal procedure on US gambling commitments and various bilateral negotiating agreements such as Euromed, Korea and India.
- *Article 133 Textiles:* This committee was briefed regularly with updated information on textile imports from China. Specific issues discussed in 2008 included the bilateral agreements with Belarus and Kazakhstan, market access issues with Argentina, third country certification systems, rules of origin, REACH and the industrial and regulatory dialogues with Russia and China.
- *Article 133 Steel:* The Committee discussed various proposals regarding the extension/amendment of agreements on the trade of steel with third countries. Notably, the Committee discussed the agreement for autonomous measures on import quantities of steel from Kazakhstan and changes in quantities for the Russian Federation. Furthermore, the Division gave its views on repealing the trade agreement on certain steel products with Ukraine in view of its membership to the WTO. Discussions also included a proposed increase of export tariffs on steel scrap from Russia and EU measures to prevent this. The Steel Committee

is also currently viewing the EU raw materials initiative. After discussions in various working groups, it was agreed that the 133 Steel and 133 Textiles Committees should be merged. In fact, this is now the case with the establishment of the Steel, Textiles and other Industrial Sectors (STIS) working group.

- *General System of Preferences*: The Generalised System of Preferences Committee and the GSP Working Party discussed various issues in relation to the granting of preferential access to markets for developing countries during 2008. In particular, the GSP Working Party discussed the Council Regulation applying a scheme of generalised tariff preferences for the period from 1 January 2009 to 31 December 2011.
- *Antidumping/Anti-Subsidy*: The Division monitored and analysed the ongoing developments on anti-dumping, anti-subsidy and safeguard mechanisms. Advice was provided on a number of anti-dumping issues, this being based primarily on economic analysis whilst taking into consideration the objectives, interests and priorities of the various government entities and stakeholders. Some of the most contentious cases that were discussed this year include the expiry review of footwear imported from China and Vietnam, the imposition of definitive duties on imports of candles from China, the removal of duties on imports of farmed salmon from Norway and several cases concerning steel that were regarded as highly important due to their international trade significance. The necessary consultations with local and Community stakeholders have been maintained.

Multilateral Trade

WTO DOHA Development Agenda (DDA) Negotiations – July Ministerial Meeting in Geneva

The Division, in consultation with the Ministry of Foreign Affairs and the Permanent Representations in Brussels and Geneva, monitored developments and provided feedback on Malta's position with respect to various issues under the WTO Doha Development Agenda (DDA) negotiations. In particular, consultation was undertaken with various government ministries and entities to consolidate Malta's position and prepare a comprehensive briefing for the WTO DDA ministerial meeting.

The WTO Ministerial meeting was held in Geneva on 21-29 July 2008 with the Economic Policy Division being represented by the Director General and the Director. The Minister of Finance, the Economy and Investment, accompanied by the Permanent Secretary, also participated in the ministerial meeting. While significant progress was made on a majority of issues, no overall agreement on the DDA was reached and the talks ended in failure. Efforts are still underway to try to bridge existing negotiation positions amongst WTO members so as to conclude DDA negotiations in the near future.

Bilateral and Regional Trade Relations

The Division consulted and co-ordinated with the competent authorities across Government in its policy formulation on a number of trade agreements that the EU is negotiating with third countries. Some of the most important include:

- *EU-Euromed Free Trade Area*: Negotiations with Euromed countries continued in an effort to conclude an FTA with Euromed countries by 2010. Discussions included progress on negotiations with respect to the liberalisation of agricultural, processed agricultural and fisheries products, the liberalisation of trade in services and establishment and the conclusion of the dispute settlement agreement. The 7th Euromed Trade Ministerial Conference was held in Marseille in July 2008 where progress in negotiations was discussed along with the importance of enhancing regional integration and a Euromed Trade Roadmap till 2010 and beyond.
- *FTA Agreements with ASEAN, India and South Korea*: The Commission is currently negotiating FTAs with India, South Korea and ASEAN (Association of Southeast Asian Nations) in close collaboration with EU Member States. While significant progress has been made in discussions with Korea, progress with India has been slow. The Division continued to follow-up developments and provide economic analysis related to these negotiations.

- *Economic Partnership Agreements:* The Division continued to monitor developments in the negotiations of the Economic Partnership Agreements with ACP (African, Caribbean and Pacific) countries. Malta supported the conclusion of a full EU-Cariforum EPA and gave feedback to Ministry of Foreign Affairs on draft Council Conclusions in relation to EPAs with other ACP countries and regions.
- *EU-China Framework Agreement of Partnership and Co-operation:* The Division, in co-ordination with the Ministry of Foreign Affairs, monitored further developments in EU-China relations, aimed to enhance trade and investment.
- *EU-US Partnership:* The Division reviewed developments in transatlantic relations, with a view to deepen transatlantic economic integration and further regulatory convergence.
- *EU-Canada Co-operation:* Discussions were held on the type of relationship that should be achieved with Canada in the 133 Committee and a representation from the Canadian Permanent Representation was also received at the EPD. An EU-Canada Summit was held in October 2008, whereby it was agreed that there should be deeper economic partnership between the two parties.
- *EU-Russia Agreement:* Negotiations on the successor agreement to the Partnership and Co-operation Agreement (PCA) with Russia continued in 2008 with a number of negotiation rounds being held throughout the year. The new agreement will not be a pure preferential trade agreement however it will preserve the trade provisions already contained in the PCA and sets out principles and objectives of the future FTA. The Economic Policy Division continued to monitor developments in these negotiations.

Thematic Issues

EC-Libya draft negotiation mandate for a framework agreement

During 2008, significant work was concentrated on the Commission's draft negotiating mandate for a framework agreement with Libya. While including a comprehensive trade agreement, the mandate for a framework agreement is wide in scope including political dialogue, economic co-operation, energy, justice, and a number of others areas of possible co-operation with Libya. There were intense discussions on the FTA section of the proposed mandate in the 133 Deputies Committee given that a number of EU Member States, namely Eastern European Member States were opposing the opening of negotiations with Libya. Malta's interest in this framework agreement and in an FTA with Libya was made clear in the 133 Committee. A meeting was also held at the Malta Chamber of Commerce and Enterprise between the Economic Policy Division and interested stakeholders to inform the latter of ongoing discussions and to encourage them to undertake a questionnaire which was distributed by the Commission to help it in its negotiating stance with Libya.

Market Access Strategy

During 2008, the Market Access Advisory Committee continued to extend the market access approach to other key third countries. More support has been given to new trade areas where the Community has important economic interests such as services, intellectual property rights, investment and public procurement. In addition, the Commission set up Market Access Teams in third countries and specific working groups which operate under the Market Access Advisory Committee. The aim of these groups is to prevent, detect and tackle trade barriers as well as to work on the concrete removal of specific obstacles to trade.

Anti-Counterfeiting Trade Agreement (ACTA)

During 2008, the Commission continued to debrief the Art 133 Committee on the ongoing negotiations in connection with the plurilateral Anti-Counterfeiting Trade Agreement, which is aimed to enhance the level of co-operation between authorities and to harmonise high levels of intellectual property rights enforcement. The Art 133 Committee worked in close collaboration with other relevant Council committees.

Commission Communication on the Raw Materials Initiative

The Division analysed the Commission's Communication on Raw Materials that outlines policy responses to ensure sustainable access to raw materials

Investment Promotion and Protection Agreements

The Division, in consultation and co-ordination with the Ministry of Foreign Affairs and other pertinent authorities, has continued negotiations on a number of draft bilateral Investment Promotion and Protection Agreements. Other negotiations have been commenced with Qatar, Cambodia, Indonesia and China. Negotiations with Albania, Ukraine, Montenegro, Bosnia-Herzegovina, Pakistan and Morocco have been consolidated.

Furthermore, the Division in liaison with other pertinent authorities has compiled a preliminary study on Intra-EU bilateral Investment Guarantee Agreements.

Advisory Services

The Directorate extended its advisory services to various government entities, mainly through the compilation of briefings, the preparation of instruction notes, technical advice, research and economic analysis on specific requests.

Eight Sino-Maltese Mixed Commission

The Economic Policy Division was involved in the necessary preparations for the convening of the Eight Sino-Maltese Mixed Commission that is scheduled to be held in Malta during 2009.

JOSEPH RAPA

Director General (Economic Policy Division)

Department of Contracts

HUMAN RESOURCES

During 2008 the procedure for the appointment of a number of Procurement Managers, who are intended to strengthen the administrative capabilities of the Department, was sustained. This measure is being implemented in view of the increased administrative challenges brought about by the new allocated EU budget obtained by Malta under the Structural Funds 2007-2013.

Recent government policy has encouraged the concept of introducing family friendly measures in the workplace. A proactive approach to this initiative by the department has resulted in two employees being afforded the opportunity of teleworking. Another initiative which was taken up by the majority of staff was the rearrangement of office hours coupled with flexitime so as to enable the Department to be open for business for an extended period of time during the summer months.

In order to efficiently manage the above initiatives, the concept of electronic attendance verification was adopted and has been a success.

Training of 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 an Introductory Course in Public Procurement organised by the European Institute on Public Procurement (EIPA) in Maastricht while another Procurement Manager obtained specialist training on the 'Effective use of the FIDIC Conditions of Contracts in International Construction Projects' in London during the month of June. Another two officials represented the department at the meeting of the EU Public Procurement Learning Laboratory on various facets of public procurement practices.

REFURBISHMENT WORKS

The Department has continued in its efforts to utilise all the possible office space available within the existing building premises. A refurbishment programme at the basement level was drawn up and all the necessary tender documentation of the works to be undertaken has been completed. However, despite extensive consultations with institutions such as Heritage Malta and the National Commission for Persons with Disability and obtaining their approval, MEPA has only sanctioned a minor part of these works which are envisaged to be carried out in 2009.

Another project under implementation is the transfer of the existing archives at Wied il-Kbir stores in Qormi to the recently acquired premises previously owned by the ex-Lotto Department which is situated in the vicinity of the Head Office. During 2008 the refurbishment work on the structure was carried out and a mobile shelving system installed. This transfer will result in the saving of time together with fuel consumption. This will also lead to increased efficiency in the archiving of documentation.

Another building, also close to Notre Dame Ravelin, has been acquired. This is envisaged to cater for badly-needed administrative office space for the Department as well as for new premises for the Public Contracts Appeals Board. Preparatory architectural plans have been designed for the conversion of the existing building to cater for the new use of the premises.

TRAINING FOR CONTRACTING AUTHORITIES

Training on local legislation i.e. Legal Notices 177 and 178 of 2005 relating to Public Contracts Regulations, and Public Procurement of Entities operating in the Water, Energy, Transport and Postal Services Sectors Regulations, was carried out, in collaboration of the Staff Development Organisation, by means of an intensive six module seminar during September 2008. The training consisted of theoretical tutorials on the use of the regulations, the evaluation process, the appeal procedures available to economic operators and the correct use of specifications and terms of reference. Practical interactive sessions were organised during the seminar on the use of the specifically designed Department of Contracts tender documentation templates for works, services and supplies.

Similar training seminars were also carried out with the collaboration of the Planning and Priorities Co-ordination Division during May and November 2008. These seminars were specifically targeted for Project Managers entrusted with the management of the new allocated EU budget obtained by Malta under the Structural Funds 2007-2013.

PUBLIC CONTRACTS REGULATIONS

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 has drafted a number of amendments to the current legislation which are currently under review by senior ministry management.

In fact, in order to be in a position to advise the Government, senior officials actively participate in meetings organised by the Commission of the Advisory Committee on Public Contracts, the Working Group on e-Procurement and the Working Group on Public Procurement Statistics. In this way, as well as advising Government on proposed new legislation, the Department contributes to the development of public procurement methodologies adopted in the EU. In fact, the Commission has proposed a new Directive on Defence and Security related 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, FIGG, External Borders Funds, Norwegian 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 Financing Memoranda signed for the year 2003, from the Financing Memorandum signed for the Transition Facility for the year 2004, the Financing Memorandum signed for the Transition year 2005, the Financing Memorandum for the Transition Facility for 2006, from the Single Programming Document for the years 2004-2006 and from the Single Programming Document for the years 2007-2013. The Head of the EU Unit is also the administrative officer who is in charge of all Twinning and Twinning Light projects that are carried out under Malta's Transition Facility Programmes.

The Department of Contracts is heavily involved in the Structural Sub-Committee on Transition Facility Assistance for Malta. In fact the Department is a member of this committee and attends both the Sectoral Monitoring Sub-Committees (SMSC) and the Joint Monitoring Committee (JMC) meetings.

The Transition Programme 2004 for Malta was concluded on 15 December 2006, the Transition Facility Programme 2005 was concluded on 15 December 2007, whereas the Transition Facility Programme 2006 was completed on 15 December 2008. The Structural Funds Programmes for Malta for 2004-2006 have been almost concluded, with some projects afforded exceptional extensions to their disbursements due to their sensitive nature. 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.

The Assistant Director of the EU Unit and members of staff also delivered a series of training seminars during the year, relating to the use of the tendering templates, so as to get the end users to familiarise themselves with the said templates.

EXTENDED DECENTRALISED IMPLEMENTATION SYSTEM

Following the granting by the EU Commission of the Extended Decentralised Implementation System (EDIS) to Malta in 2004, the Department adopted several recommendations by the EU Auditors in order to enhance the monitoring, contracting and control systems in place. A revision of the Manual of Procedures and the introduction of check-lists and other tools which were recommended by the auditors were effectively carried out. The recommendation to increase the capacity of the staff of the EU Unit was implemented with a call for Procurement Managers being issued during 2008 and expected intake in early 2009.

AUDIT VISITS

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

GENERAL CONTRACTS COMMITTEE

The General Contracts Committee held 101 sittings during which several contractual issues were considered. These issues ranged from the adoption of specific contractual procedures instead of the traditional calls for tenders to pre-contractual matters, such as approval of clarifications to prospective bidders and post-contractual ones involving approval of extra works/variations. Amongst these cases the Committee evaluated reports and recommendations submitted by contracting authorities which led to the issue of letters of acceptance/contracts signed by the Department. The Committee also deliberated on objections emanating from appeals lodged by economic operators against recommendations of award of contracts pertaining to departmental tenders.

PUBLIC CONTRACTS APPEALS BOARD

The Public Contracts Appeals Board is appointed by the Prime Minister to decide on objections lodged against the recommendations of the General Contracts Committee on the award of public contracts.

During 2008, the Public Contracts Appeals Board held various sittings that dealt with 27 objection cases, 13 of which were upheld.

THE NEW PROCUREMENT MANAGEMENT SYSTEM AND WEBSITE

In November, the new website of the Department went online, and the Procurement Management System (PMS) began operating. The PMS, funded by the EU Transition Funds (2005) Programme, provides an efficient and effective platform for the Department to manage the calls for tenders, and offers enhanced functionalities for economic operators through the Department's website. These include the possibility to set up alerts in respect of new tenders which might be of interest to the economic operator (the alerts can be set against particular common procurement vocabulary (CPV), keyword or contracting authority); view preview documents; purchase/download tender documents; post tender-related questions directly from the site; be notified with new clarifications/notifications, and register for clarification meetings. Additionally, economic operators may now see the summary of tenders received, as well as the eventual award recommendations, directly online. Registered users can also be notified (via SMS and/or e-mail) when the status of particular tenders is marked as being under recommendation or under appeals period.

The PMS also allows the Department to dispatch the most important procurement-related notices pertaining to the Official Journal of the EU electronically. It also enhances the report-generating facilities for the Department, which is therefore aided in abiding with the statistical requirements of the EU.

Within the short period of time that the new website has been online, the Department has received positive feedback on the new services being rendered. Concurrently, a number of Maltese and foreign individuals and organisations have subscribed (via the Maltese e-ID platform, or directly from the website) in order to fully benefit from the site's functionalities (free subscription/registration allows the setting up of e-mail/SMS alerts, the online purchase/download of tender documents, and receipts of e-mail notifications).

The website has also been designed with a view of providing a single point of reference for public officers working in public procurement. An appropriate section has been set up, displaying the Department's letters circulars and annual reports, the tender templates, the procurement legislation, EU guidelines and explanatory notes, and the CPV amongst other matters. The Department aims to expand this resources page over time, by uploading any other information/documentation deemed to assist procurers in the carrying out of their tasks.

RESEARCH AND INNOVATION IN PUBLIC PROCUREMENT

The Department continued to support the introduction of transparent mechanisms to reward research and innovation through public procurement as part of the National Strategy for Research and Innovation 2007-2010. The Department made its contribution in the second *Workshop on Making Innovation Work for Public Procurement* which was organised in May of this year.

This workshop provided an update on developments in public procurement for research and innovation in goods and services at European and national level. The workshop also featured a presentation of the results of an ongoing FP6 Project (OMC-PTP Open Method of Co-ordination - Public technology procurement) which brings policy makers and practitioners together and provides a platform of mutual learning concerning various forms of pre-commercial procurement - not exclusively technology procurement.

FRANCIS ATTARD

Director General (Contracts)

Inland Revenue Department

Mission Statement

To provide the Ministry responsible for finance with guidance in enacting such legislation and to provide taxpayers and social security contributors with quality and timely service and to simplify procedures while minimising the cost of collection and the burden to taxpayers, in order to encourage compliance.

GENERAL

The projected targets for the Inland Revenue for 2008 were largely reached. 2008 was the first year in which the whole system, including the accounting system as well as the tax statements and all documents and payments, were accounted for in the new currency.

Also, 2008 was the first year of operation of the Department's Call Centre in Gozo. During 2009 a consolidation of this Unit will be undertaken with a view to increasing overall performance.

Another major change was the appointment of the new Commissioner. The Commissioner acts also as Head of the Tax Compliance Unit. This is expected to bring about a measure of integration and co-ordination between the two units. The TCU will be moved to Floriana by mid-2009 after the necessary structural changes are made to one of the Department's blocks.

This Report has four divisions: Income Tax, Social Security Contributions, International Tax Unit and Capital Transfer Duty.

INCOME TAX

Technical Section

Legislation

Amendments to the Income Tax Acts and new enactments of subsidiary legislation under the Acts were made during the year, the following being the more noteworthy:

- double tax treaties with Greece and Singapore;
- to enable the Commissioner to collect information required by foreign tax authorities in terms of the reciprocal international arrangements for the exchange of information;
- to further encourage electronic business by increasing the tax credit available to companies engaged in developing computer software and hardware as well as to open up applicability to sole traders in this field;
- deductions granted to companies to encourage them to make donations relating to sports events and sports organisations as well as to cultural organisations and artists;
- complementary to the 2007 amendments to the main acts regarding tax refunds in respect of underlying tax on distributed company profits, rules were issued in the early months of 2008 to provide for the creation of two new tax accounts: the Final Tax Account and the Immovable Property Account. The new rules also established the registration procedure for companies claiming refunds and extended their filing period.

The full list of Acts and Legal Notices concerning income tax is as follows:

18/01/2008	Act I / 2008	Income Tax Management (Amendment) Act - <i>re exchange of information</i>
05/02/2008	LN55/08	Tax Credit (Electronic Business) (Amendment) Rules - <i>tax credit (max €12000) available to SMEs including sole traders</i>
15/02/2008	LN67/08	Tax Credit (Women Returning to Employment) (Amendment) Rules - <i>removes prohibition of working with a related person</i>
19/02/2008	GN159/08	First and Second Board of Special Commissioners - <i>Appointment of members of Boards</i>
19/02/2008	LN78/08	Income Tax (Statutory Dates) (Amendment) - <i>extends filing period for companies claiming refunds</i>
19/02/2008	LN79/08	Tax Accounts (Income Tax) Rules - <i>establishes the allocations to the FTA and IPA</i>
19/02/2008	LN80/08	Tax Refunds and Registration Procedure Rules - <i>establishes the registration procedure for companies claiming refunds</i>
27/06/2008	GN560/08	First Board of Special Commissioners - <i>appointment of Board</i>
27/06/2008	LN159/08	Donations (Sports & Culture) Rules - <i>deductions for donations by companies towards sports and culture</i>
19/08/2008	LN194/08	Double Taxation Relief (Republic of Singapore) Order - <i>treaty with Singapore</i>
05/09/2008	LN205/08	Tax Accounts (Income Tax)(Amendment) Rules - <i>change in Y/A in respect of Collective Investment Schemes</i>
10/10/2008	LN257/08	Collective Investment Schemes (Amendment) Regulations - <i>amendment re custodian</i>
07/11/2008	LN268/2008	Double Taxation Relief (Hellenic Republic) Order - <i>treaty with Greece</i>
14/11/2008	LN288/2008	Income Tax Exemption (Philanthropic Work) Notice - <i>Exempts the St Jeanne Antide and St Peter's Foundations</i>

During 2008, another book was published in the series of tax cases, namely BSC Cases Vol.2, and the summaries of Court of Appeal cases on the Department website were also updated. A booklet on provisional tax and social security contributions was printed and made available. Memos were issued as necessary on the website as well as internally.

The Section also replied to a large number of technical queries received from other sections of the Department and the Ministry as well as from tax practitioners/auditors/lawyers and the general public. It also served as a liaison for the Department with international tax organisations such as the Intra-European Organisation of Tax Administrations (IOTA) and the Commonwealth Association of Tax Administrators (CATA).

Twenty complaints were received from the Ombudsman during the year, of which 17 have been successfully concluded so far. Six requests were received in connection with tax at source on payments to non-resident companies and these have been cleared. Twenty-seven requests for exemption were received and examined; 16 exemptions were issued as being philanthropic (two) or approved (14).

Final Settlement System Tax

During 2008, employers submitted 9,023 Annual Reconciliation Statements (FS7) and 42,840 Payee Statements (FS3) referring to years 1999 to 2007. About 90% related to 2007. The FSS section vetted, captured and reconciled all this data. Registration of new taxpayers by the section during the finalisation process amounted to 810.

The Section also batched 51,863 documents and 1,381 web submissions (number of taxpayers 92,019). Total electronic errors solved were 17,455. Archiving for 2008 was completed. The Agriculture Produce Scheme documents were also processed and finalised by 31 January 2008. A total of 4,563 Adjustment forms were processed between June and December.

Enforcement

The section continued on an intensive enforcement programme. The number of defaulters has been reduced to 798 (from 4,421). A total of 10 different notices were issued between February and August. Compliance rate for 2008 was 93.62%. A number of previous years' documents were also recovered. All queries regarding these notices were dealt with.

Enforcement Exercises Performed at the Computer Section

	Count	Value (€)
15-day Notice (Individuals/Corporate)	6,313	81,337,790
FSS/SSC Notices (Current Year - FS5's defaulters)	2,087	N/A
Year-by-Year (All Balance claimed)	2,019	7,408,876
Year-by-Year (Default Tax Returns)	1,000	N/A
Social Security Class 2 Notices	738	2,666,228
Year-by-Year (Pre-Estimation including balance - Current Y/A)	19,301	N/A
FS7 Defaulters Notice (Current Year)	5,697	N/A
FS7 Defaulters Notice (Last Reminder)	4,488	N/A
FS7 Defaulters Notice (All Years Included)	1,948	N/A
FS7 Defaulters Notice (All Years Included - Last Reminder)	1,841	N/A
FS7 Defaulters Notice (Claiming of Penalties)	1,086	N/A
FSS/SSC Employers Notices (All Balance claimed)	573	5,545,305
Legal Employers Default Notices (FSS/SSC + Additional)	635	13,484,051
Enforcement Exercise on Deceased Taxpayers	1,248	5,254,750
FSS/SSC Notices (Balances due & missing FS7's)	1,542	N/A

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

Assessments

A total of 5,193 assessments in respect of pre-1999 years were issued to taxpayers.

Tax Returns and Non-filers

Tax statements issued without the need for taxpayers to fill in and submit their annual tax return (non-filers) were 163,739. Tax Returns generated: 71,622.

Tax Audits

A total of 767 new cases were opened, while 442 cases were concluded, resulting in an increase in income brought to charge of €29,747,515. Cases in hand at the beginning of the year were 196, while at the end of the year the cases in hand were 521.

A total of 169 new objections were received against assessments raised under the self-assessment system. 190 objections were concluded, resulting in an increase in income brought to charge of €6,360,843. At the beginning of year, objections in hand were 371; balance at end of year was 350.

E-Business Usage Statistics

Corporate Tax Return

	Y/A 2007	Ratio	Y/A 2008	Ratio
Returns filed electronically	14,607	83%	12,530	81%
Returns filed manually	3,071	17%	3,017	19%

Values for year of assessment 2007 are for comparison and evaluation purposes only.

Individual Tax Return

	Y/A 2007	Ratio	Y/A 2008	Ratio
Returns filed electronically	926	1%	456	0.75%
Returns filed manually	80,966	99%	61,665	99.25%

Values for year of assessment 2007 are for comparison and evaluation purposes only.

FSS Services for Employers

	Basis 2006	Ratio	Basis 2007	Ratio
FS7's filed on web	1,217	65%	1,381	67%
FS7's filed through CD	671	35%	706	33%

Electronic Payments

Year	e-PG (payments through IRD website)		Internet Banking		Total value
	Count	€	Count	€	€
2008	6,604	2,724,986	14,595	63,169,229	65,894,215

Main IS/IT deliverables for 2008

- Euro migration early in 2008 was complemented by a number of simulations and further tests to ensure that statements are issued correctly and with the appropriate information.
- During February 2008 an exercise to release refunds from the Assessments System was conducted.
- A first evaluation and actual write-off of prescribed balances was also conducted.
- The free-filers initiative was significantly improved by a 24% increase in the number of taxpayers of 32,000 up to 162,000. This required a detailed review of the process and software with the Operations Directorate to refine procedures and improve software.
- Online Income Tax Return of Companies and supporting systems were enhanced for the Y/A 2008 filing cycle. For this purpose the Tax Return Spreadsheet, developed by Director Operations, was integrated with the online and back-end software. The Tax Return contained changes to support the new Corporate Tax Regime.
- Applications for refund registration in line with the new Corporate Tax Regime was also designed and developed by Director Operations and this was integrated with the IRD's Online and Back-end Systems.
- The Tax Return filing cycle was also reviewed for changes with the Operations Directorate required to implement budget changes. Changes were implemented in both back-end and online systems. The changes included new attachments.
- Technical upgrades were also carried out to improve the security and performance of the online systems.
- Software to implement the ETC-IRD initiative was also enhanced and an implementation plan was also prepared.
- A spreadsheet add-in was developed to facilitate the implementation of software for the submission of third party information.
- Software for the Collection of Class 2 contributions was delivered (still in UAT).

Workflow Management System

The Workflow Management System manages and controls the workflow devolving on the various units of the Department. 80,329 work items were received and forwarded for processing. 76,582 of these have been closed.

Companies

During 2008, the Companies Section cleared 592 years of assessment from the pre-Y/A 1999 objection backlog. New objections were filed against 277 years leaving a balance of 3,136 years of assessment. This Section also processes applications for changes in accounting dates and issues different certificates mainly tax clearances upon winding up of companies and residence certificates. All public relations relative to corporate taxpayers are carried out by this Section.

All manual, post Y/A 1999 tax returns are received and processed manually by the Data Processing Unit. Electronic filing remained constant at 83% of all filers.

Objections

The number of pending objections of individual taxpayers against one or more assessments at start of 2008 stood at 4,460. During the year, 1,672 new objections were registered. The number of objections settled was 2,296. Balance at end of year was 3,836. Due to the fact that records in respect of old objections are not reliable, the Section is still working on a filtering process, as it has been discovered that many objections settled long ago have never been deleted and are still being shown as pending. The real number of outstanding objections is therefore much lower than the book figure.

Board of Special Commissioners

Board No. 1 held only six sittings as one of the members could no longer continue in office. Board No. 2 held 39 sittings. The number of cases pending before both Boards at the end of 2008 was 107. Of these, 36 were filed during 2008. Board No. 1 decided two cases and had one ceded. Board No. 2 decided 10 cases and had 21 cases ceded.

Court of Appeal, Constitutional and Civil Court

Court of Appeal cases concluded during 2008 were 16 and the balance at end of year was four. Two cases were concluded before the Constitutional Court and there are no cases at present before this Court. Before the Civil Court, one case was concluded leaving a balance of two cases at end of 2008. Total number of sittings during the year was 50.

Revenue

Revenue from Income Tax during 2008 amounted to €735.4 million. Furthermore the Department also collected €510.5 million in social security contributions. As from January 2008, following an amendment to the Social Security Act, the Inland Revenue Department now has the responsibility for the enforcement and collection of social security contributions for years also prior to 1998. The following table gives a breakdown of the revenue collected in 2008 under the various sources:

	Settlement Tax €	PAYE/FSS €	Provisional Tax €	Self-Assessment €	Total €
Employees	5,628,076	196,503,693	12,606,913	8,818,374	223,557,056
Shareholders	72,823	0	374,992	427,457	875,272
Expatriates	262,330	0	5,147,705	2,698,286	8,108,321
Business, Profession, Ecclesiastic Entities	2,326,775	0	16,883,879	6,951,942	26,162,596
Rentiers	588,709	0	1,981,908	1,138,900	3,709,517
Companies (local)	2,899,633	0	226,771,353	72,626,864	302,297,850
Companies (foreign)	1,859,530	0	31,399,699	707,659	33,966,888
Capital Gains	0	0	80,300,955	0	80,300,955
Tax at Source	0	0	1,539,790	0	1,539,790
15% Withholding Tax	0	0	50,966,240	0	50,966,240
Others	3,140,285	0	370,725	419,786	3,930,796
Total	16,778,161	196,503,693	428,344,159	93,789,268	735,415,281

Cash Office Receipts

The number of receipts issued by Cash Office (Floriana only) in respect of income tax and social security contributions for 2008 was:

	No. of Receipts	Value in €
Income Tax	226,407	565,548,564
Social Security Contributions	143,922	254,333,477

Enforcement

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

Individuals		
	Count	€
Demand Notices	1,160	2,550,646
Judicial Letters	583	24,515,625
Garnishee Orders	1	26,613
Agreements	273	711,344

Companies		
	Count	€
Demand Notices	13	102,402
Judicial Letters	450	61,502,355
Agreements	38	628,295

FSS/SSC Pre-2007		
	Count	€
Notices	10	1,551,575
Agreements	45	5,488,140
Garnishee Orders	25	3,706,603

FSS/SSC	
	No
Default Notices	17,810

During 2008 there were 72 court cases, 16 of which were concluded; 56 are still pending. 232 court sittings were attended.

Receipts Adjustments – Renewals of Permits

2,090 receipt adjustments were made. Renewals of work permits for expatriates were 2,995.

Mutual Recovery of Tax

The collection section continued to take enforcement action and precautionary measures for the recovery of claims from EU Member States as per directives 76/308 EEC and 2001/44/EC. The number of cases in 2008 increased to 35; seven cases was finalised.

Clearance Certificates

83 clearance certificates were issued to companies (34), employers (30) and individuals (19) who bid for a tender in an EU country.

Outdoor Inspections

The services of the Revenue Security Corps were regularly availed of to help the Department in its drive against tax evasion and for tax collection. Outdoor inspections were carried out mainly to (a) identify cases of persons who failed to register as taxpayers; (b) ensure remittance by employers of FSS tax/SSC deducted from salaries; and (c) trace taxpayers who fail to claim assessments sent by registered mail.

Inspections by RSC carried out in 2008 were:

Cash escorts	373
FSS/SSC	118
Investigations	33
Capital Transfer Duty Claims	481
Objections	38
Others	354

Taxpayer Service

During 2008 the Department's Taxpayer Service Office (Help Desk):

- dealt with 28,881 personal encounters;
- registered 1,175 new taxpayers;
- reached 648 direct agreements for programmed tax payments by individuals;
- reached 326 agreements with employers for programmed payments of tax;
- amended 2,038 addresses;
- issued 16,185 income tax returns.

IRD Call Centre

The Call Centre started receiving its first live telephone calls on 4 January 2008. During the year, the Call Centre replied to 90,561 telephone calls, 6,744 e-mails and processed 3,168 letters of correspondence.

Expenditure

The total recurrent expenditure, including emoluments and other operating expenses, was €4.45 million. The cost per €1 of income tax collected during 2008 works out at 0.006c. When considering also the actual revenue collected from social security contributions, the cost per €1 of revenue collected from both sources works out at 0.004c.

Refunds

By the end of 2008, the total number of refunds issued for y/a 2008 (including also some for y/a 2006 and 2007) was 63,553 amounting to €59,208,893. Included is the second instalment of refunds due for years prior to y/a 1999.

Capital Gains Tax

The Section deals with queries from professionals and taxpayers as regards income tax levied on transfers of property. 870 requests for a permit in terms of rules 10(2) and 10(4) of L.N. 5/2005 were received. Of these 790 permits were issued, 35 were refused or cancelled and 102 were re-issued. As regards permits in terms of article 43(3) a total of 249 requests were received and settled.

SOCIAL SECURITY CONTRIBUTIONS

The Social Security Division continued with the verification and enforcement of social security contributions. Class II payers continued to be informed of their social security obligations through the issue of the form PT1 every four months. Enforcement notices for defaulting payers for 2003-2007 were issued.

The major tasks carried out during 2008 were the following:

- Personal encounters – 2,650
- Agreements – 40
- Payslips issued for persons working abroad – 313
- Adjustments of Social Security receipts – 1,008
- Refunds issued – 26 (€59,136)
- Enforcement notices to defaulters – 738.

INTERNATIONAL TAX UNIT

Double Taxation Agreements

- The legal notices in connection with the double taxation agreements with Greece and Singapore were published;
- Double taxation agreements with Libya, USA, Montenegro, Ireland and Switzerland, and a Protocol amending the double taxation agreement with France were concluded and signed;
- The double taxation agreement with the Isle of Man and a Protocol amending the agreement with Italy were negotiated and initialled;
- Negotiations were held with India for the amendment of certain provisions of the existing double taxation agreement, but were not concluded;
- Negotiations were held with Ukraine and Oman, but were not concluded.

Work Processed

During 2008 the International Tax Unit processed:

- 1,201 self-assessments;
- 16 new applications for Advance Revenue Rulings;
- 14 applications for renewals of Advance Revenue Rulings;
- 621 claims for refunds;
- 1,254 requests for certification of exemption from duty under the Duty on Documents and Transfers Act;
- 83 exchanges of information with foreign tax authorities;
- 571 requests for registration of shareholders under the New Tax Regime.

Revenue

€87,000,000 were transferred to revenue from tax paid by companies dealt with at the International Tax Unit.

EU and OECD Affairs

Members of the Unit attended 36 meetings in connection with the EU, and 1 meeting with the OECD.

Tax Law Amendments

Members of the International Tax Unit took part in work related to new legislation on the Rules for the operation of the New Tax Regime and on proposed tax amendments concerning Collective Investment Schemes, Trusts and Foundations.

Computerisation of ITU Systems

Members of the International Tax Unit were involved in the computerisation of the process of the New Tax Regime, in particular on the registration of shareholders and of the refund claim form.

CAPITAL TRANSFER DUTY

Duty on Documents

The Department examined 12,190 notarial deeds. 5,975 of these were inspected by the Department's architects, resulting in 4,031 original assessments. 1,710 objections were filed and 670 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.

Total revenue collected from Duty on Documents amounted to €85,749,854.

2,844 *causa mortis* returns were processed and 100 declarations filed by notaries were referred to the Department's technical experts to verify the valuation of immovable properties declared therein.

1,969 claims were issued and 55 revised assessments were raised in the case of deficient returns. During the period, 83 objections were filed by transferees against the said *causa mortis* claims, while 95 objections were concluded.

Death and Donation Duty

The number of returns of chargeable transmissions filed and processed during the period was 84. Revenue collected, including prepayments on account and from arrears, totalled €59,915.

Acquisition of Immovable Property by Non-Residents

New provisions were enacted under Chapter 246 of the Laws of Malta to make the legislation compliant with the *acquis* of the European Union as regards Chapter 4. During 2008 the Department received 398 applications; 390 permits were issued.

Revenue

Total revenue collected by the Capital Transfer Duty branch was:

	€
Death and Donation Duty	46,482
Duty on Documents and Transfers	85,749,854
Fines and Late Fees	14,285
Fees on AIP Permits	223,273
Total	86,033,894

Computerisation

In collaboration with MITTS, the implementation of the computerisation programme of all sections within the Branch was completed. All sections, except the Monte di Pietà Office and the Consuls' Office, are fully automated.

Preliminary Agreements

A total of 8,208 Promise of Sale Agreements were registered (677 in Gozo).

Monte di Pietà

"*Il-Monti*" advances money on pledges of precious metal. Figures for 2008:

Pledges accepted	1,851
Pledges redeemed	2,271
Money loaned	€202,266
Money received back	€246,824
Interest received	€23,728

The number of pledges remaining in hand on 31 December was 7,382, against which €727,520 were advanced. Besides advancing money on pledges, *Il-Monti* also holds regular Court deposits lodged for safe keeping. On 31 December a total of 693 deposits were still being held. Expenditure to run *Il-Monti* during 2008 was €43,519, including salaries.

Assay and Valuations Office (Office of the Consul)

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

	Gold	Silver	Total
Articles received	1,206	15,846	17,052
Assays	389	309	698
Articles weighed and valued	155	0	155
Articles broken up on being found to be made of an inferior standard	0	951	951
Articles marked at a lower standard than the declared standard	0	0	0
<hr/>			
No of Inspections	81		

Revenue from fees on assays, hallmarking, valuing and manufacturers' registrations was €11,982. Expenditure to run the Consul's Office was €122,012, including salaries.

CARMEL CONTI

Director General (Inland Revenue)

Customs Division

MANAGEMENT

Customs administrations all over the world operate in a constantly changing environment. During 2008 the Division continued to face up to this challenge by adapting and further refining its procedures to meet the expectation of stakeholders in both private and public sectors and fulfil its obligations under EU regulations and national legislation while proactively preparing to face emerging threats and opportunities. During 2008, the Maltese Customs Administration continued to:

- improve delivery of services to clients, particularly the traders and manufacturers,
- enhance control on inward and outward movement of goods, people and means of transport,
- enforce legislation more effectively,
- improve the collection of revenue and the prevention of fraud,
- prevent the importation of illicit drugs and other prohibited goods.

Control and processing functions continued to be streamlined in line with Government's commitment to the revised Lisbon agenda, thus reducing administrative burdens on economic operators and citizens in general. However, Customs continued to be subject to ever-increasing pressures to provide greater security and safety in the face of a rising number of global threats. Balancing the conflicting demands of trade facilitation and security is not easy, particularly when viewed against a background of budgetary constraint and amidst increasing calls for the provision of more extensive and client-focused services. The Division has implemented a number of initiatives aimed at strengthening cooperation with the Commission and the Customs administrations of other Member States. Our efforts to prevent the importation of prohibited and restricted goods, of fraud and international crime have continued to give good results. Customs in Malta also celebrated the 40th Anniversary of the Customs Union by organising several initiatives, including the issue of a commemorative stamp, the participation with the Customs of three other Member States in a DVD produced by DG TAXUD on Customs operations, and the holding of a public activity at Freedom Square in Valletta relating to drug-searching by trained dogs.

CUSTOMS EU SPECIALIST

The Customs EU Specialist supports the Division's senior management 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 Division, liaison with outside entities (besides EU Directorate MFEI these include the Ministry of Foreign Affairs and the Attorney General's Office) and the production of substantive EU-related input. Issues requiring the intervention of the Customs EU Specialist range from routine tasks such as the compilation of regular returns required by the Commission, to policy-related work (for example, following the amendment of regulations and directives relevant to the Division's operations, their transposition into Maltese law, etc.) and applications for funding. Other work co-ordinated by the EU Specialist includes the vetting of Maltese translations produced by EU institutions, the drafting of Instruction Notes (particularly for the Customs Union Working Party on Legislation and Policy), monitoring of issues brought before the General Rules Section of the Customs Code Committee, and the processing of *ad hoc* requests for information received from traders and traders' associations. The EU Specialist is also a member of the committee set up by the Division to administer the issue of AEO certificates, represents the Division on the Sanctions Monitoring Board and acts as the Division's Data Protection Officer.

ADMINISTRATION

Finance Branch

The Euro Changeover

The first months of 2008 were crucial for the Finance Section since it was then that one could assess whether preparations for the changeover to the euro were bearing fruit. Due to the training given to Customs personnel during the last quarter of 2007, the Customs Division's changeover to the euro was smooth and successful. No problems were encountered with respect to traders, mainly thanks to the information campaign run by Customs through various means of communication.

Accounts Section

The newly upgraded OMERA system for the collection of charges arising from the attendance of Customs officials at traders' premises was introduced. Further enhancements were proposed to MITTS, which enhancements were duly delivered according to specifications thus rendering the system even more effective. Discussions were started with Treasury regarding the forthcoming implementation of the SEPA project by 2010.

Customs Debt Unit

The total sum of import duties (Traditional Own Resources) for the latest recorded 12-month period was €15,508,372.48, of which €11,631,279.36 (75%) was transferred to the EU and the remaining €3,877,093.12 (25%) retained by the Maltese authorities as administration fee. The CDU 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 Cash Office

The main Cashier's office collected a total of €233,375,483 by way of taxes (import and excise duties and VAT) as well as fees, fines, store rent, proceeds from sales and other miscellaneous receipts.

Procurement/Stores Unit

A total of 1,329 Local Purchases Orders were committed during 2008. Seven departmental tenders and numerous calls for quotations were issued, adjudicated and awarded. Full assistance was also given regarding Contracts tenders issued on behalf of Customs. Several items, including office equipment and furniture were repaired or replaced as necessary. Uniform items were procured and distributed to entitled staff members. Personal protective equipment and other health and safety related items were also procured whilst risk assessments and other health and safety initiatives were undertaken. The inventory of items located in the 250 work areas within the 17 Customs premises was brought up to date.

Common Agricultural Policy Unit

The CAP Unit continued to approve import declarations subject to an agricultural licence (AGRIM) at the processing stage. Intra-community sugar was controlled on behalf of the MRRA's Agriculture EU Paying Agency which pays state aid to traders bringing EU sugar into Malta. At the request of other Member States controls were also affected on certain agricultural goods eligible for export refunds moving under the transit procedure. Records relating to the importations of wine as stipulated in EU regulations were also endorsed and maintained. CAP Unit staff participated in various meetings with other local agencies, including the Malta National Laboratory, and in various meetings on the CAP in Brussels.

Tariff Quota System Unit

In 2008 this Section experienced radical changes in its main electronic operating system as a result of the transition from the Surveillance 1/Quota 1 systems to the Surveillance 2/Quota 2 systems. A variety of quotas were requested, ranging from New Zealand lamb, to oranges from Egypt and wine from South Africa. Manifest and import system enquiries were solved to the satisfaction of traders. Anti-dumping reports were regularly sent to the EU Commission.

EU Programmes Unit

During 2008, a total of 362 participants attended 262 events abroad. A workshop on Drug Precursors was organised and held in Malta and a Customs & FISCALIS conference on information sharing is in the process of being organised. Information received via the CIRCA system was disseminated, whilst financial records were inputted into the ART system for real time monitoring by the Commission.

Secretariat Section

Rent and electricity bills were collected from Bond Operators using the Customs Groupage Terminal at Hal Far and the Temporary Storage Bonds at Luqa. 191 new cases of incorrect declarations were dealt with, 215 current cases were settled and 18 were referred to the Ministry of Finance, the Economy and Investment. There were also 105 new and 107 settled cases regarding the monitoring of yachts and pleasure sea-craft status. 12 new application cases, all settled, related to onward supply relief. Eight applications were received and processed regarding the issue of Customs certificates and other misplaced documents, of which four were granted, three refused and one kept pending for further verification. There were also eight new post entries, of which seven were settled. 36 instances of garnishee orders or information requests by Law Courts were processed. Another 36 legal cases regarding arrears of revenue to Customs were in progress, of which nine were concluded during the year. The Section's activities contributed to the collection of €573,913 in taxes and fines.

Human Resources Branch

Personnel Section

An Agreement and Memorandum of Understanding were signed between the Government and the UHM on the revised flexibility allowance payable to the Customs Class personnel backdated from 2007 and the payment of three hours extra work per week to the Customs Auxiliaries, respectively. The process for promotions in the Customs Class grades continued during the year under review, as per Agreement signed in April 2006, resulting in the appointment of a further 68 Customs Officers and five Inspectors of Customs. Three employees died in the Service, another was medically boarded out while another 14 employees retired on attaining pensionable age, while the contract of an Advisor was terminated in September. New appointments of the Director General, Director (Compliance), Director (Excise and Systems) and Assistant Director (Landing & Releasing) were also effected. Another 27 appointments were effected in the general Service Grades. Two newly recruited Clerks were posted to the Division, one Extended Skill Training Scheme student commenced his apprenticeship and three Clerks were transferred from other departments while nine persons were transferred to other departments. The process to fill the vacancy in the grade of Principal Scientific Officer is currently in progress. Following the introduction by Government of family friendly measures, three employees availed themselves of unpaid Responsibility Leave, 22 employees went on reduced hours and three employees started to telework. Disciplinary action was taken against 3 members of staff in terms of Regulation 19 of the PSC Disciplinary Regulations. The expenditure in personal emoluments, particularly those being paid in allowances and overtime, was monitored continuously. The Administration was notified with the necessary virements, together with the causes leading to shortage of funds in the particular accounts.

Health and Safety Unit

The H&S Unit carried out risk assessments at various Sections and distributed H&S fact sheets and personal protective equipment as necessary. Training courses on first aid, fundamentals of ionising radiation, radiation detection, radiation protection supervision, erecting of scaffolding, and airfield driving permit and safety awareness were organised and delivered to Customs personnel. The various tasks which were outlined during meetings with the H&S workers representatives included the Influenza Immunisation of Customs staff and the servicing of all Fire Extinguishers and Smoke Detector systems, all of which were duly accomplished. Testing, certification and servicing of lifts and hoists at Customs premises were performed as required by law. At the Hal Far Groupage Terminal the fire-hydrant system equipment was overhauled and the feeding water reservoir cleared and cleaned. A protection safety framework was constructed around the container scanning mobile hut at Freeport. The no-smoking policy within all Customs internal premises was reinforced. Several architect's inspections were commissioned and building repairs and mitigation interventions were urgently requested and undertaken whenever these were deemed to possibly constitute a safety hazard.

Green Initiatives

Bi-annual 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. Plumbing systems of all Customs premises were systematically checked for leaks and if necessary repaired or replaced. Sticker-labels were fixed next to every electrical switch and socket in all Customs premises with a reminder message to switch-off when not in use. 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 reuse of one-side printed paper and envelopes, have been promoted and implemented. Batteries and engine oil of Customs vehicles replaced at the Customs garage were sent for recycling.

Maintenance Unit

Normal physical embellishment and improvements were carried out at the various Customs premises. The gate-entry motor mechanisms as well as the floodlighting system at the Hal Far Groupage Terminal were repaired. All alarm systems at Customs were serviced, and preparations started to install a new CCTV system at Newport Bonds area. In-house maintenance programmes have been started regarding certain mechanical and electrical equipment at Hal Far Groupage Terminal and Freeport Warehouse. Two garages under Crucifix Hill Valletta as well as factory premises at Marsa Industrial Estate were vacated by Customs and keys handed over.

Training Unit

The Training Unit organised 45 training courses totalling 108 sessions (mostly half-days). A total of 348 lecturing hours were delivered, 280 hours of which on courses to Customs staff and 68 hours on courses to Customs clients, for example traders, shipping agents and *burdnara*. The total training time received by participants was 5,007 hours. Of the 846 persons invited, a total of 722 (85%) actually attended. A total of 14 in-house facilitators/trainers and 10 external trainers (of whom seven were local and three from foreign organisations) conducted or were involved in these in-house courses. Co-operation was received from several external training entities and Customs benefited from their tailor-made programmes adapted for Customs specific needs. These assisting external training entities were: the US Government, SDO, the Occupational Health & Safety Authority (OHSA), Malta Red Cross, Japan Tobacco International, and the Civil Protection Department. Otherwise, 88 Customs employees attended a total of 113 SDO-organised courses, and a further 76 employees attended other external courses, these totalling 665 hours. All e-learning modules available to Customs from the EC and the World Customs Organisation (WCO) have been placed on the Customs Intranet where they are accessible to all employees. An e-learning training policy is being drawn up whilst an e-Learning Portal is being developed to improve accessibility.

Legal Section

32 Letters to prosecute and 229 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 had 867 court sittings, relating to 308 Civil and 551 Criminal cases. Customs personnel were regularly required to assist Prosecution through the Attorney General's Office as well as to testify in practically all the cases. 27 Criminal and 25 Civil cases were decided during the year, and fines in favour of Government amounted to €88,184.83. In 12 of the cases decided in the Magistrates' Court, offenders found guilty were also given suspended jail sentences. There were also 208 cases which were settled administratively out-of-court, in full or in part, as well as another four civil debt cases settled after court sentences. Total fines from all these cases amounted to €373,915, including taxes.

EXCISE AND SYSTEM CONTROLS

Local Producers, Traders and Service Providers

This section controls authorised tax warehouse keepers who produce alcohol or tobacco products, excise warehouse keepers who sell duty-free goods and traders that are not tax warehouse keepers. The section is also responsible for the issue of excise control stamps to importers and manufacturers as well as for payments of excise duty on mobile telephony services. All excise movements under duty suspension 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.

During 2008 the Section processed 41 applications for the status of Excise Registered Trader (ERT), of which one was transferred to the Tax Warehouses Unit and two had their application refused. There was also one new tax warehouse keeper. There were eight registered local producers of alcoholic beverages and wine, besides importers of wines and spirits. Three of these producers were situated in Gozo. An alcoholic beverages producer was refused authorisation to operate a new distillery. With regard to importation of pure alcohol, a number of tax warehouse keepers are manufacturers of medicines which use a large amount of ethanol for end-products that are not subject to excise duty. Other importers sell the alcohol either to be used in hospitals or for analysis and research. As for breweries, one company has completely closed down production and hence only one brewery was operating.

During the year, there were four producers of pipe tobacco/cigars. These producers were also importers of roll-your-own tobacco for cigarettes, pipe tobacco and cigars. Another five tax warehouse keepers were dealing with importation and distribution of cigarettes under duty suspension.

Tax Warehouses

This Unit controls tax warehouses at Barriera Tax Warehouse (BTW) and on private premises. There were 35 tax warehouses at BTW and 29 on private premises during 2008. Two new tax warehouse keepers started operations in 2008, both of them from BTW. Two other tax warehouse keepers transferred their operations from BTW to their private tax warehouses. New tax warehouse keepers are being encouraged to work from BTW.

Fuel Section

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 IAAD and entered into the electronic database. Frequent

inspections of tax warehouses and bunkering barges were made and fuel analysed to deter and detect illicit traffic. Liberalisation of the local fuel sector started to be implemented during this year and this section therefore adopted the first changes to be able to manage efficiently this new scenario.

Heating Fuel Rebates

On 15 December 2008, following an Exemption Order in terms of Art 14.2(c) of the Excise Duty Act (Cap. 382), gas oil (diesel) falling under CN Code 2710.19.45 with a sulphur content not exceeding 0.1% by weight became subject to a reduced rate of excise duty of 96.79 euros per 1,000 litres, only if exclusively intended for heating purposes. The Unit has been set up to monitor the sales of this particular product and to administer the rebate scheme. This type of fuel contains a blue dye for identification purposes and a specified marker added to it. For the time being the scheme is open to all those who use fuel for heating purposes, e.g. industries, caterers, bakers etc, and also private households, subject to the proviso that it is used for heating only. This blue-marked diesel, which is more ecologically friendly, has replaced light heating oil.

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 and Excise Liaison Office (ELO) to ELO mailbox. The Excise Movement and Control System (EMCS) is envisaged to be fully monitored and maintained by this Office. The WLO liaises with its counterparts in all Member States and takes an active part during the Excise Committee Working Party (ECWP) meetings. It is also responsible for the National Project Plan as well as the monthly development plans.

Computer Section

Throughout this year, IT applications relating to the Import Control System (ICS) Phase 1, Entry/Exit Summary Declaration, Export Control System (ECS) Phase II, Authorised Economic Operator (AEO), Economic Operator Registration and Identification (EORI), Risk Management Module, TARIC/Quota upgrade, TARIC 3, New Computerised Transit System (NCTS), Centrally-Developed Transit Applications (CDTA) upgrade, System for Exchange of Excise Data (SEED) Version 1 and the new Single Administrative Document (SAD) were being discussed, developed or implemented as necessary within the established timeframes. Necessary upgrading was also effected to Malta Customs international gateway through the EU Common Customs Network (CCN) and Common Software Interface (CSI) which provide the necessary EU-wide interoperability between customs systems.

An open tender for the procurement of an EMCS and the provision of support services was issued during this year. An Evaluation Committee, reporting to an Adjudication Board, has been evaluating the tender.

Many important components of the EU's Multi-Annual Strategic Programme (MASP) developments must be implemented by July 2009. All these systems enable the application of Community customs regulations, hence project teams need to be fully familiar with the legislative, administrative and business requirements in order for the systems to be developed. This can only be gained from very frequent and intensive technical and functional meetings with colleagues from the Commission services and other Member States, as well as the continual reading and reviewing of all relevant documents. Nowadays all customs-related procedures are IT dependent, and will become even more so over the coming few years when all transactions and relative documentation will have to be electronic. The e-Customs Decision, which has been signed into law, provides a roadmap and rapidly-approaching deadlines for all future developments. The Division's IT capability is therefore critical to its success in all fields and deserves to be considered as a core function.

IT Centre

This Section deals with all hardware issues, including networks, PC-related software and customs user support and services. The IT Centre also updates and uploads the information on the Customs website. Besides routine operations, the major tasks undertaken during 2008 were the introduction of 29 computers in the Division under the leasing agreement, provision of support regarding the relocation of certain sections and the repair of several PCs.

Transit

The New Computerised Transit System (NCTS) has continued to perform satisfactorily in terms of stability and business operations. The number of open transit movements, the average time taken to close transit movements and the number of enquiry procedures resulting from open movements have settled down to acceptable levels due to greater efficiency in the monitoring of data exchanges between local and foreign customs offices. Trader experience and training for newly-appointed officers have further contributed towards an effective management of transit movements. A technical liaison mission was held in Malta during June by a representative of the European Commission. The mission reported positively on the national planning for NCTS Phase 4. The tender for a collaborative contract with three other national administrations on future development and implementation of NCTS was awarded. Malta participates in a Change Management Board that was set up for the purpose. The Board seeks agreement on commonly proposed changes to the NCTS application on a cost-sharing basis.

Customs Warehousing

This section is chiefly concerned with warehousing of goods subject to import duty and/or VAT, and their eventual release/export from approved customs warehouses, which are either public (Type A) or private (C). The number of containers warehoused during the year was 422. No new customs warehouse was approved during 2008 whilst two ceased to operate. A trader who usually imports new non-EU motor vehicles was authorised also to import and warehouse second-hand non-EU motor vehicles. A total of 2,664 new non-EU vehicles were warehoused, 2,094 units were released for home use, whilst 128 units were shipped to other EU Member States after payment of relative duty. This number does not include the 62 second-hand vehicles released for home use, on which €46,734 duty and €83,171 VAT were collected.

This Section includes the New Port Bonded Stores. Rent collected from goods released from these stores and from transfer in bonds amounted to €1,460 and €8,854 respectively, whilst import duty, VAT and excise duty collected were €6,514, € 6,382 and €5,963 respectively. There were 34 lots received for safe custody whilst there were 13 lots released ex safe custody. One auction sale was held in 2008, the total income derived from this sale amounted to €24,170.

COMPLIANCE

Representatives of all 27 Member States met in Paris on 4 July to celebrate the 40th anniversary of the Customs Union, making this a year of special significance for customs administrations throughout the Community. The meeting took note of the changing role of customs, and recognised the importance of its role in the maintenance of a permanent balance between the protection of society from a variety of threats and the facilitation of trade.

Both these aspects were reflected in the Directorate's operations during 2008. Efforts to further improve trade facilitation went hand in hand with increased attention to the protection of national and EU financial interests. These twin objectives could only be simultaneously achieved on the basis of a risk management system that allows controls to be targeted in an intelligent manner. The risk management system continued to be refined on the basis of the experience gained in previous years.

An important milestone reached during 2008 was the implementation of the first phase of the Security Amendment (Regulation (EC) 648/2005) and the implementation of the Authorised Economic Operator (AEO) scheme. AEO status is granted by individual national customs administrations and is recognised throughout the European Union. It helps to modulate customs controls and facilitations according to the reliability of operators, as determined by thorough audits, thus providing customs administrations with another means of combining security with trade facilitation.

Processing Services

A marked improvement was registered in risk management, export facilitation and enhanced pre-physical control documentary checks. Risk Management was split into two separate units – a Risk Profiling Unit responsible for the update of risk profiles and a Risk Management Unit to oversee the electronic risk analysis. The aim was to focus the work of both units and enable specialisation. Export facilitation was brought about through the higher uptake of the remote input facility and the smaller number of controls effected on compliant exporters. The introduction of more thorough, pre-physical check documentary controls enabled traders to comply fully with import regulations prior to the actual physical control of goods, thus reducing the risk of delayed release from Customs.

Verification Unit

During 2008 there was a further streamlining and simplification of the intra community supply verification procedures followed by the Section. The submission of intra community invoices, which previously was mandatory, was only being requested when further clarification of the status documents was required. In order to further facilitate the movement of goods, only a percentage of imports were selected for physical control. This selection was based on risk analysis of trader, goods and origin of goods. In order to safeguard import revenue and security controls, those declarations which had not been subject to physical control were subjected to a further risk analysis and a percentage selected for post clearance documentary verification and control. These documentary controls, of which 4,766 were affected during 2008, led to the recovery of €55,061 in taxes and fines.

Valuation Section

The Valuation Section continued to be a reference point on values to management, head of sections in other Customs areas, members of the business community and to private individuals. The participation of the Unit's officers in the relative Committee meetings in Brussels made it possible for Customs to keep abreast of new initiatives launched by the Commission.

Binding Tariff Information Unit

The Binding Tariff Information Unit classifies goods at the request of traders, customs clearance agents and releasing officers at time of release or documentary checks. Queries are sometimes received from other Member States, a method used by all Member States in order to rapidly obtain a second opinion, thus eliminating the need to pursue the matter further with the Commission. Fourteen "Binding Tariff Information" were issued and published in the European Union EBTI-3 database. During 2008 a number of documents were submitted to the Unit by the European Commission for verification of translations into Maltese.

Sample Management Unit

The Sample Management Unit continued to liaise with the different laboratories/technical bodies as regards to technical problems as they arose. Due to Malta National Laboratory's limited resources, the Unit often had to seek assistance from Customs administrations in other Member States. Two working visits produced very positive results. A visit to the Dutch Customs Laboratory in Amsterdam solved a long-

standing problem regarding classification of chemicals used by the pharmaceutical industry in Malta, which were proving difficult to classify due to their complexity and the fact that these were not listed in the European Customs Inventory of Chemical Substances (ECICS) database. The Dutch Customs Laboratory provided the Unit with an extensive list of chemicals and their relative classification. The agreement reached with the Laboratorio Chimico di Catania cleared the problems the Unit used to face in regard to the analysis of mineral oils, chemicals and plastics. The agreement also provided for the referral of food samples by the Catania laboratory to the Customs laboratory of Palermo which specialises in edible products. During 2008, the Unit was also directly involved together with Malta Standards Authority in the implementation of the Registration, Evaluation and Assessment of Chemicals (REACH) Regulation.

Customs Economic Procedures Unit

The Unit assesses and authorises requests for special procedures from traders and manufacturing concerns. During the year under review, the Unit authorised 325 requests for various Preferential Customs Procedure Codes and activated same in the Business Registry. In order to follow up and monitor these authorised traders, officers regularly visited traders' premises and held meetings where modification or clarification of the procedures was felt to be warranted. During the year, 3,806 T2L Status Documents, 44 claims for refund of import duty paid under the Drawback and 90 transit documents were processed. Unfortunately the EU-wide Export Control System did not live up to expectations. While the local office complied with all requirements, other Member States were not so effective. In fact, out of a total of 598 ECN PLUS declarations created, only 197 were settled by Offices of exit in other MS. The consolidation of the Export System was effected during 2008. It is worth noting that the online transmission of export documents by traders totalled 14,247 i.e. 87.1% of the total declarations.

Binding Origin Information Unit

A total of 26 preference documents were submitted for verification to third countries eligible for tariff preferences under agreements with the European Union, in order to confirm their authenticity and technical conformity. Preference certificates were also submitted to the EU Commission in order to confirm/clarify issues such as technical conformity and possibility that a particular country had been granted a period of grace prior to complying fully with the technical requirements. The unit was instrumental in establishing that over €80,000 import taxes were due following negative replies in respect of preference certificates from solicited third countries.

Customer Services

This office processes import declarations benefiting from suspension of import taxes as provided for under Regulation 918/83 (e.g. 159 new applications for importation of personal effects). A total of 3,630 transshipment and shipping bills were processed (registration, checking, authorisation and settlement after export) and several EU TARIC Database queries dealt with. The Section also handles 139 claims for refund of overpaid duties and processes garnishee orders (390) and counter warrants.

The Customer Service section also compiles the daily booking list for containers selected for control. Data submitted by the traders is input manually into the Customs Electronic System (5,865 entries); the Section also inputs statistical data contained in 'intrastat' forms presented by traders (16,127 entries). The registration of new importers and administering user accounts of the CES forms part of the Section's duties. The Office is also responsible for the sale of Customs Forms to the public.

Archives/Records Office

The section stores and retrieves all archived files referred to and requested by the Registry Section. Insertions in respect of archived files were also referred to this office from Customs stations. The paperless environment created by the electronic Customs Electronic System, which retains all declarations in

electronic format, has allowed the staff complement at the Section to be further reduced to one Principal Officer and one Messenger.

Risk Management Unit

In June 2008, the Risk Management Unit was split into two sections: Risk Profiling and Operations. The Risk Profiling Section drafts and updates profiles in the Risk Analysis System. A total of 273 specific risk profiles were created during 2008, mainly on the basis of information submitted by the European Antifraud Office (OLAF), by DG TAXUD and by other local and foreign sources. The RPU issued 20 Risk Alerts to other stations, of which 40% gave positive results. Overall the RPU managed to target 65 fiscal infractions a posteriori which tallied to €160,494 in revenue. Communication between the Risk Profiling Section and other units within the Division - Enforcement, Intelligence, IPR and PCA - was enhanced. The RPU also played an active role in two operations coded 'WASABI' and 'MEDIFAKE'.

Risk Analysis in the Customs Electronic System (CES) is managed by the Operations Section. The status of declarations is monitored and the documentation pertaining to declarations selected for control by the system checked. The Export system (MEX) is being monitored by two officers and the work on the risk analysis is performed manually. The feedback reporting system performed by the releasing officers is functioning better and a database is being built for future reference and data analysis.

Landing and Releasing

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

Deep Water Quay

During 2008 a total of 172 vessels discharged and/or loaded cargo at the DWQ. Discharges included 5,150 full load container/trailers and 2,029 new cars.

In January, a new weekly ferry service between Malta and Pozzallo was introduced; the service was increased to three times weekly in November. A total of 1,268 containers received from the Malta Freeport containing 4,394 cars and 60 motorcycles from Japan were unstuffed.

Examination Shed

During the year, 2,882 units from third countries were selected for control, examined and released, including 1,689 containers/trailers examined at importers' premises and 759 containers/trailers examined at General Examination Shed. The remaining 434 units were 'quick released'

Additional revenue collected on the basis of discrepancies noted amounted to €177,229. On various occasions, personnel from the Enforcement Section, Weighers Office, Intellectual Property Rights and Drug Squad were present during releases. The Port Health Office and Plant Health Department were also present in connection with foodstuffs and agricultural products. Goods were referred to the Malta Standards Authority in relation to certificates of conformity.

Courier Office

The total number of Transport Documentation Identifications (TDID) released in 2008 was 21,535. 309 cartons and 801 bags were scanned while 290 packets were opened and examined. Transshipment Bills (TSB) raised at the Courier Office totalled 443. The number of 'C' Status bags was of 43,139, non-EU bags 22,498. The revenue collected was €2,617,586 (90% of which was VAT).

Airfreight

A total of 6,471 manifests were handled by this section; 8,879 import declarations were received of which 2,675 were selected for control. Revenue collected was as follows:

VAT	€6,862,379	Duty	€1,019,683
Excise Duty	€11,867	Deposits	€6,047
Total €7,899,976			

Members of this Section co-operated with the Customs Intelligence Service, the Customs Debt Unit, the Computer Section and the Verification Unit. Attendance by members of the Enforcement Section was regular and useful. Goods suspected of infringing IPR regulations were checked by members of the IPR unit. These goods usually consisted of wrist watches, ink cartridges for printers, mobile phones and accessories, outerwear and medicines. Occasionally non-proliferation officers were called to check on dual use goods.

Malta Freeport

The main responsibility of this Section is to ensure that all units that exit the Free Zone area are accounted for and covered by necessary Customs documentation. A total of 2,565 *pratiques* were carried out, of which 1,634 were for vessels coming from non-EU countries. 34,611 containers despatched for local consumption amounted to 34,611, of which 12,314 were of non-EU status and released for free circulation.

Hal Far Groupage Complex

2008 witnessed a number of changes at this Section, mainly due to the transfer of the Examination Shed from Marsa to the Hal Far Groupage Complex. A total of 5,561 units entered the complex of which 1,447 were non-EU. Tallying was carried out on 342 non-EU units and 149 EU. The Special Intervention Action Team (SIAT) carried out 1,557 spot checks at the gate. Customs duties collected increased by 70.3%, to €1,625,961 and VAT by 36.8% to €5,532,856. This has to be attributed mainly to the payments of full load containers which are examined at Hal Far. There was an overall increase of 3% in post-entries raised and an increase of 23.2% in possible fines paid. The revenue collected for 2008 totalled €7,247,567.

Laboratory Wharf

This Section is responsible for the supervision of goods landed at Laboratory Wharf, Coal Wharf and the Silo. A total of 621 vessels landed goods at this station. The number of containers transferred from Malta Freeport to Lab Wharf amounted to 798 while Gate searches amounted to 992.

Parcel Post Office

The trend to increased revenue noted over the previous two years was confirmed. This resulted from the growing popularity of online shopping which in turn leads to greater demand for postal services. Another factor that might be contributing to the increase in revenue collected is the fact that Maltapost personnel are implementing fully the instructions given to them by Customs. Revenue collected at the Parcel Post Office totalled €688,094, of which 84% was VAT.

Other: Malta Shipyards, Customs Weighing Section

Revenue collected from the Malta Shipyards Section amounted to €34,432. The amount of €67,648 was raised as deposit on T1 documents. 77 containers/trailers were examined and released during 2008. Every effort was made to monitor and settle any outstanding amounts and to take note of any pending issues, especially in view of the imminent privatisation of the Malta Shipyards.

Weighing fees collected amounted to €2,100.

ENFORCEMENT

Investigations & Intelligence Branch

Non-Proliferation Unit

Documentary checks effected by the Unit included 115 on containers in transshipment, 48 on airfreight cargo, eight on local exports, three on courier cargo and two at Hal Far Groupage Complex. These were followed by a number of physical checks which led to seven shipments being withheld. All were later released after export authorisation was issued. In-depth *Commodity Identification* training was delivered to 10 individuals from various stations within the Division. This was co-ordinated with members of the local academia and the US Department of Energy, which also funded this programme. The industry outreach programme was continued through various meetings with operators engaged in the export trade.

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

PCA/EPEU personnel carried out 251 on-site visits. These actions led to the raising of 22 post-entries which netted €100,947 in duties and VAT.

An official from the PCA Unit formed part of the team delegated by DG Customs to conduct an Alcohol and Tobacco Excise Audit. Another official was given the task to lead the Authorised Economic Operator Audit team. The same official also took part in the preparations for the introduction of the Economic Operation and Registration Identification (EORI) system.

Container Monitoring Unit

A total of 1,713 vessels' manifests were reviewed leading to the scanning of 7,558 transshipment containers. 798 containers were also physically examined resulting in the seizure of the contents of 35 containers. Another 5,730 containers intended for the domestic market were also scanned. The month of July saw the introduction into service of the new Nuctech scanner. Officials from this Unit were also involved in a pilot exercise and other preparations related to the coming into force of EU Regulation 1875/2006 in 2009.

Enforcement Unit

Drug seizures for 2008 were even better than for 2007, which had itself been a record year. Seizures totalled 21, 16 of which concerned passengers arriving from an EU country. Seizures included 19.4kg cocaine, 7.5kg heroin, 9,975 ecstasy tablets and a quantity of khat. Apart from swallowers (11 cases), methods of concealment included suitcases with the traditional false bottoms and shoes with hollow soles. A total of 2,860 flights were targeted and 31,600 pieces of luggage were scanned, of which nearly 11,000 were also physically examined. Personal searches carried out amounted to 151. These controls resulted in the seizure of over 930,000 cigarettes, 100 bottles alcohol and 14 bird skins (under CITES regulations). The 367 'currency control' spot checks gave five positive results. Anti-drugs sniffer dogs were involved in both covert and overt searches at MIA as well as sniffing of mail and courier bags while the mobile x-ray vans scanned over 8,400 pieces of luggage, goods or mail.

The Unit was also responsible for surveillance of open-air markets and searches of commercial outlets for illegal excise goods. Of the 924 such inspections, 23% resulted positive, leading to the seizure of 169,000 cigarettes and 4,560 bottles of alcohol. About 200 searches on vehicles were also carried out, leading to the seizure of more than 42,000 cigarettes, 6.8kg hand rolling tobacco, nearly 2,000 bottles alcohol, a quantity of wine and beer as well as a number of live birds and chipmunks. Many cases were settled administratively and thousands of euros were collected in taxes and fines. A total of 33 vehicles were withdrawn/seized and two vehicle and one gold & silver auction sales were held, which netted €35,554. Another €34,851 were collected following the settlement of various cases.

Enforcement officials assisted other Customs personnel in various outstations including Courier office, cargo shed, mail post office and Hal Far groupage bonds. Joint inspections with VAT inspectors of vehicles/trailers and commercial outlets totalled 32. Searches on airport staff, surveillance duties, and daily patrols of the Grand Harbour area, yacht marinas and Freeport perimeter were also carried out. Other tasks included vessel and yacht searches and verification of high-duty stores on board vessels.

The IPR unit examined 653 containers at the Freeport, leading to the seizure of 36 transhipments containers. 65 cases were registered, of which 32 led to legal action, 18 cases resulted in no action taken by right holder and 14 cases were settled out of court while two cases are still pending. Over 21.7 million counterfeit goods in transshipment and 3,280 counterfeit goods intended for the domestic market were also detained. Items detained included cosmetics, hair and skin care creams, mobile accessories, MP3/4, sanitary pads, soap, toothpaste and toothbrushes as well as 'usual' items like cigarettes, outerwear, head gear, footwear and wrist watches.

The SIAT tallied 149 containers and carried out 1,557 searches on vehicles leaving the Complex regarding IPR, CE markings and Excise control. Of the 75,627 passes issued, 70,375 concerned 'C' status goods.

Customs Intelligence Services (CIS)

240 passenger and 670 cargo alerts were issued with eight from the former and 37 from the latter category resulting positive. These results involved drug seizures, excise evasion, IPR infringements, pornographic material and incorrect declarations. Containers scanned totalled 4,730, of which 30 were referred to Enforcement Unit for further investigations. A total of 637 RIF alerts were received while 21 were uploaded by this Unit. CIS issued 77 Intelligence alerts and 22 Yacht alerts.

Officials from this Unit participated in two Joint Customs Operations (JCOs) and supported the Enforcement Unit and CMU in their participation in other JCOs. CIS was also involved in the assessment and granting of AEO applications. Another task is the recording and exchange of statistical and nominal information of Cash Control Declarations at the borders with the local Financial Intelligence Analysis Unit and the EU Commission.

HEAD INVESTIGATIONS OFFICE

This office is responsible for local, EU and international administrative and operational co-operation in anti-fraud matters.

HOI regularly attended and contributed to the Council's (EU) Customs Co-operation Working Party (CCWP) meetings and Mutual Assistance Committee meetings abroad. 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. The group also plans several joint operations a year focusing on specific issues such as methods of drug smuggling or illegal trade in other goods. In 2008 the Mutual Assistance Committee was engaged in significant amendments to Reg. EC 515/97 which relates to mutual assistance between the administrative authorities of the Member States and co-operation between the latter and the Commission to ensure the correct application of the law on customs and agricultural matters. Last year was also a milestone in the launching of the AFIS (anti fraud information system) web portal which will be the basic platform for all IT applications provided by 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 our links with EU and international partners in the fight against criminal activities. A number of initiatives were co-ordinated with local agencies such as Police and VAT. Input by this office was key in the favourable response obtained to the *Application for co-funding of lease for a container scanner* by the EC and the financial gain obtained following the agreement between Japan Tobacco International and the EC and 26 Member States.

FRONTIER CONTROL

Customs Baggage Room

The main duties of this Branch include the clearance inwards and outwards of ships, yachts, aircraft and passengers; guarding and escorting of uncustomed goods; patrols on land and sea in Customs areas, and supervising the landing and loading of all cargo imported/exported by air. Release of accompanied commercial goods is also carried out by this Branch. Besides collecting the taxes applicable this branch must also prevent importation of restricted and prohibited goods. Since joining the European Union its roles and responsibilities have increased and became more complex particularly because Malta is situated at the southernmost border of Europe. In carrying out its duties this Branch maintains constant liaison with all stakeholders concerned and co-ordinates its resources accordingly, for example to address particular issues which arise from time to time such as avian flu.

Grand Harbour and Yacht Marinas

These sections operate on a 24-hour shift system. During 2008, a total of 5,994 vessels arrived in Malta, of which 3,234 from non-EU countries, while 6,034 vessels were cleared outwards. These figures include arrivals/departures at Marsamxett, Marsaxlokk and Mġarr. A total of 181 rummages were conducted on incoming vessels.

Passenger arrivals totalled 111,861, departures 109,809; transit passengers 530,095. A total of 11,552 accompanied vehicles arrived in Malta while 10,175 departed. This Section processed 1,635 transshipment shipping bills, 3,436 duty free deliveries and 5,265 fuel stores authorisations. Currency sport checks totalled 1,009 while 1,812 searches were carried out at the various customs areas seaport gates. Taxes collected amounted to €46,904.

Yachts arriving in Malta totalled 1,863, against 1,690 departures. In both cases only a small share of the total traffic (approximately 14%) was accounted for by non-EU countries. Marsamxett was responsible for slightly less than two-thirds of total arrivals and departures.

Airport

A total of 2,556 aircraft landed in Malta from non-EU countries, bringing 170,903 passengers, of whom 6,791 were in transit. On the other hand, 158,978 passengers of whom 6,117 were in transit departed Malta. Freight landed amounted to 5,792,361 kg whilst 5,598,854 kg were exported. A total of 637 currency control checks were carried out on passengers. Taxes and fines collected amounted to €72,421. Moreover, 15 seizures of meat and dairy products were effected (total weight 143 kg). The goods were confiscated and destroyed as per EU Regulations. This section operates on a 24-hour shift system.

Prohibitions and Restrictions

Taxes collected amounted to €165,165. Out of a total of 49,009 software packages submitted for vetting, 1,389 were viewed and 171 were withheld, leading to 26 appeals. Seven items were subsequently released by the Printed Matter Appeals Board.

IRO GALEA

Director General (Customs)

Value Added Tax Department

AIM

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

REVENUE AND EXPENDITURE

Revenue

During 2008, gross revenue collected under the VAT Act 1998, the CET Act 1997 and the VAT Act 1994 was €554,023,468 compared to €524,559,040 in the previous year. Refund of excess credit paid out of revenue amounted to €98,730,873 resulting in a net revenue of €455,292,595 compared to €406,668,796 in the previous year. The relevant information is shown in the following table:

	VAT Act 1998 €	CET Act 1997 €	VAT Act 1994 €	Total €
Total Gross	553,743,549	59,515	220,404	554,023,468
Less Refunds	98,663,953	340	66,580	98,730,873
Total Net	455,079,596	59,175	153,824	455,292,595

Eco Contribution

The VAT Department is the competent authority for the administration and collection of Eco Contribution. During 2008 the amount collected from this contribution was €15,608,958.

E-Services

During 2008, the Department collected €38,646 from e-Services.

Outstanding Credits and Debits

As at the end of 2008, the Department had a net debit book balance on VAT (1998), after deducting outstanding taxpayers' credit, of €302,879,943. The amount of €279,497,555 was in the form of estimated assessments and interests which would automatically be cancelled once the relative missing returns are submitted. The realistic net balance is still being computed in the Return for Revenue Arrears 2008 (TR58/2009).

	VAT (1998) €	CET (1997) €	VAT (1994) €	Total €
Debit Balance	404,138,392	2,923,491	6,439,551	413,501,434
Outstanding credits	101,258,449	18,800	51,947	101,329,196
Net Balance	302,879,943	2,904,691	6,387,604	312,172,238
Estimated Assessments	204,755,866	259,548	605,857	205,621,271
Accounts with a balance as at end 2007	23,319	1,096	1,448	25,863
Accounts with a balance as at end 2006	19,095	2,583	3,298	24,976

Cost-Effectiveness

Total recurrent expenditure during 2008, excluding the contribution to the Tax Compliance Unit and the Fiscal Receipt Lottery, amounted to €4,519,618. Net revenue from VAT 1994, CET 1997 and VAT 1998 amounted to €455,292,595. Revenue from the Eco Contribution was €15,608,958. Net total Revenue collected amounted to €470,901,553. The cost effectiveness rate for 2008 was therefore 1c per euro of revenue compared to 3c3 in 2007.

COLLECTION OF TAX ARREARS

Civil Procedures

A total of 177 cases were settled through Civil Court action, resulting in the collection of €12,496,880 of tax in arrears, as shown below:

	Demand Notices	Judicial Letters	Garnishee Orders/ Warrants of Seizure	Civil Cases Settled	Tax Collected €
Total	2,065	266	83	177	12,496,880

Operations and Enforcement

Audit Investigations

The number of audit investigations carried out by the Department during 2008 was 42 resulting in 22 provisional assessments of €289,758 and a final assessment of €751. There were 33 cases referred to the Tax Compliance Unit resulting in provisional assessments amounting to €558,228 and final assessments of €1,159,985. The Department also carried out 1,650 Eco contribution cases and identified 205 defaulters resulting in assessments of €547,967.

Credit Controls

The Department concluded 800 credit controls resulting in 114 assessments amounting to €485,077.

Validation of VAT Returns, Correction and others

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

Type	Cases Concluded No	Final Assessments €
Validations	548	46,713
Corrections	629	0
Audit trail	334	42,587
Agreements	14	57,395
Total	1,525	146,695

Compliance Rate

VAT returns continued to be issued regularly each month. The following table shows the returns issued and received in 2008. The overall compliance rate as on due date, expressed as the percentage of returns received over the number of returns issued, was 71.75%, increasing to 87.96% by end year.

	Returns Issued	Returns Received as on Due Date	Compliance Rate as on Due Date	Returns Received up to End of Year	Compliance Rate as at End of Year
Total	145,955	104,720	71.75%	128,380	87.96

Inspections

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

Throughout the same year, the majority of inspectors were assigned work connected with administrative tax enforcement and review of tax assessments. Ten inspectors were regularly assigned duties to carry out inspection visits, supported by seven Revenue Security Corps members carrying out limited inspection duties. A task force consisting of members from the VAT Department, the Customs Department and the Police has been set up to curb illicit trading in Malta. A number of persons were arraigned in court as a result of this measure.

Objections

During 2008, a total of 822 objection letters concerning VAT issues and 45 objection letters concerning Eco Contribution were dealt with completely. As a result, the number of outstanding objections as at end year was 868 and 131 respectively.

LEGAL ACTION

VAT Legislation

During 2008, the following legal notices were published under the VAT Act 1998:

- LN 59/2008 - Refund to Non-Residents (Amendment) Regulations, 2008;
- LN 335/2008 - Seventh Schedule Amendment, Regulations, 2008.

The Department also gave input in respect of LN 105/2008 - Euro Adoption Act, 2006 which dealt with the smoothing of monetary amounts and other amendments.

Court Cases

Legal action was taken against taxpayers wherever it resulted that the VAT legislation was being abused. As a result, 273 cases involving failure to issue fiscal receipts were brought before the Court, of which 155 were decided. These were together fined a total of €145,326, whilst 30 cases were acquitted.

Another 2,726 new cases involved failure to submit tax returns. As a result, 379 cases were together fined €768,690 whilst 1,899 cases were withdrawn once the returns were duly submitted prior to the Court hearing. The relevant information is shown below;

	Involving Fiscal Receipts				Involving Tax Returns			
	Appointed	Fined		Acquitted	Appointed	Fined		Withdrawn
		No	€			No	€	
Total	273	155	145,326	30	2,726	379	768,690	1,899

Appeals

During 2008, the number of new appeals lodged with the VAT and CET Appeals Boards was 58. The boards decided a total of 98 cases.

TAXPAYERS' REGISTRY

Registration and De-registration

During the year, 4,642 taxpayers were registered with the Department, bringing the total number of registered persons to 91,375. The current active registered taxpayers is 52,264 of which 33,103 are in Register A, 18,804 are in Register B and 357 are in Register C. The number of outstanding applications as at end year was nil. During the same year, 3,556 new applications were received for de-registration. A total of 4,964 applications were processed completely.

OTHER MATTERS

Manual Fiscal Receipt Booklets

The number of fiscal receipt booklets distributed in 2008 was 68,867, a decrease of 9.94% over 2007.

Printed Booklets	69,613
Distributed Booklets	68,867
Returned Booklets	41,768

Fiscal Receipts Lottery

The Fiscal Receipts Lottery has continued to be run by the Public Lotteries Department. During 2008 a total of €810,550 was paid as prize money.

Customer Service

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

E-Government

During the year, the Department continued to enhance its online services as part of the e-Government project. The Department has introduced a new service whereby taxpayers are now being reminded of the date by which they have to submit their VAT return by way of an SMS and/or e-mail.

Updating of Internet Website

Throughout 2008, the VAT Department has continually updated its website at www.vat.gov.mt. The website provides useful information on VAT for the general public, for traders and for tax professionals as well as online application for VAT registration and submission of VAT returns. The Intranet site was also updated for the benefit of the VAT Department officials.

Legal Committee

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

Participation in EU Commission and Council Working Party Meetings

The VAT Department also participated actively in meetings held in Brussels of the Working Party No 1, VAT Committee, SCAC Committee, Recovery Committee and other meetings.

The Commissioner of VAT 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

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

EU Related Matters

During 2008, 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.

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. 22 officials from the Department participated in seminars, workshops, work visits and multilateral controls. 10 officials from tax administrations of various Member States participated in a number of work visits in Malta. As part of the programme Malta hosted a seminar sponsored by the EU Commission on the Place of Supply of Services in November 2008. More than 50 participants took part from all Member States.

Training

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

JOSEPH SAMMUT
Director General (VAT)

Tax Compliance Unit

GENERAL

During the year, the Tax Compliance Unit (TCU) continued to consolidate its core competencies of:

- expanding its Data Warehouse to include new sources of information;
- increasing its efforts in combating tax evasion and avoidance through better and more cost-effective tax audits;
- improving the expertise and technical knowledge of the TCU professional staff through continuous education programmes.

ADMINISTRATION

Finance & Budgetary Control

The total Tax Compliance Unit budget allocation for 2008 was of €1,223,000 under the item *Contributions to Government Entities* as part of the VAT vote. Pending recruitment drives and a conservative approach in terms of operational expenditure saw the Unit register significant savings of approximately €95,000.

HUMAN RESOURCE DEVELOPMENT

Recruitment of Professional Staff

The Tax Compliance Unit's professional staff complement at the end of 2008 stood at 17. The Unit is presently seeking to recruit accountants and senior accountants to raise its staff complement. A call for applications for these positions was published in late 2008, and it is expected that the relevant recruitment of new staff will take place in early 2009.

Staff Training & Professional Development

Throughout 2008, the Unit embarked on an intensive in-house training programme for its accountants and senior accountants with a particular focus on income tax related matters. Amongst others, these short training programmes included a review of the fringe benefit regulations, a focus on technical matters with respect to capital gains, and a detailed analysis of tax evasion schemes. On average, each of the Unit's operational staff attended a total of 47 contact hours of training.

Furthermore, the Tax Compliance Unit participated in a total of 14 overseas meetings and training seminars under the *Fiscalis* and the *IOTA* (Intra-European Organisation for Tax Administrations) programmes.

IT SYSTEMS & DATA WAREHOUSE

Use of TCU Information by Other Departments

A total of 5,210 reports were generated from the TCU Data bank and furnished to other government departments, mainly the VAT, Inland Revenue and Social Security Departments as well as the ETC. The following table lists the reports furnished by the TCU to the mentioned entities during 2008:

TCU Reports for other Government Departments/Entities					
Department	IRD	VAT	DSS	ETC	Total
No. of Reports	224	154	119	4,713	5,210

Risk Analysis

The risk analysis function within the TCU continued to establish itself in 2008. The Unit embarked upon various other exercises on specific risk areas in order to identify cases for selection. A total of eight exercises were concluded by the end of the year. In the process, TCU, together with VAT, created a joint inter-departmental committee to liaise in the area of risk analysis and ensure that cases selected for audit satisfy preset criteria in terms of materiality and risk.

Data Warehouse

Early in 2008, substantial effort was allocated to the euro changeover. This process required particular attention to ensure that all value figures were converted in line with the methodologies applied by the respective data sources. Considerable effort was also applied to the improvement and simplification of data warehouse reports and also to the creation of new reports for risk analysis purposes. Towards the end of the year, IRD made available to TCU the financial statements data submitted by companies. This enabled TCU to start integrating IRD data within the data warehouse. This process should eventually lead to a higher level of consolidation of data across the revenue departments.

E-Audit

In May 2008, the TCU together with VAT organised the annual e-Audit contact persons meeting that was attended by representatives from all EU Member States. Following this seminar, a number of representatives delivered presentations on typical e-audit issues to TCU and VAT officers. These presentations served as a good complement to the e-audit training organised in the previous months.

Following this seminar, VAT selected a number of cases to be audited from an IT systems point of view. TCU provided extensive assistance and guidance throughout the conduct of these cases. The outcome of the cases concluded so far has been satisfactory so much so that in 2009, TCU will be selecting similar cases to be audited by TCU itself.

OPERATIONS

Tax Investigations

During 2008, the tax audit cases resulted in the following increases in income:

	€
Income tax	19,541,691
VAT	4,177,060
Total	23,718,751

CARMEL CONTI
Director General (Tax Compliance Unit)

EU Paying Authority Directorate

Mission Statement

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

MAIN AREAS OF RESPONSIBILITY

- To act as National Authorising Officer (NAO) in charge of the National Fund which has 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 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 2008

Pre-Accession and Transition Facility Funding

The Director EU Paying Authority is also vested with the responsibility of NAO which is a function directly delegated to him by the Minister of Finance, the Economy & Investment. As stated in the Memorandum of Understanding (MoU), the Financing Memoranda (FM) and EC Financing Decisions for the four Pre-Accession and the three Transition Facility Programmes, the NAO is recognised as the top leader in the implementation process. These Programmes are regulated by EC Regulation 555/2000.

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

During 2008, the Office of the NAO liaised with the European Commission to finalise the Pre-accession Programme for 2003. With regard to Transition Facility 2004, the NAO initiated the process with the other key stakeholders to close the programme. Moreover, the NAO ensured that the deadline of 15 December 2008 in relation to commitment for the Transition Facility for 2006 was attained successfully. In fact the commitment amount as a percentage of allocation stood at 94%.

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

- chairing of regular co-ordination meetings with the participation of all the horizontal stakeholders, including the National Aid Co-ordinator (PPCD), the Contracts and Treasury Departments to monitor the progress of all projects under the Pre-accession and Transition Facility Programmes and also to resolve any pending issues;
- participation in the biannually scheduled Sectoral Monitoring Sub Committees together with the National Aid Coordinator (NAC), Senior Programming Officers and the Project Leaders of projects under the Pre-accession and Transition Facility Programmes from various ministries, departments and other entities;
- participation in Steering Committees of Twinning Projects of various departments and ministries;
- issuing of various circulars related to the implementation of projects under the Pre-accession and Transition Facility Programmes. These circulars included reminders to stakeholders regarding contracting and disbursement deadlines of Programmes, another on Budget Estimates for each project, and another on the submission of Irregularity Reports;
- participation and contribution 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;
- monitoring the iPerseus System for the updating of financial data on the various projects;
- participating in meetings with the Commission on issues related to the programmes in question;
- communicating its position on various issues and problems encountered.

The total amount of Funds received from the Commission during 2008 to finance projects of the Programmes still open added up to €5,262,811. Following authorisation of payments according to expenditure affected at project level, €4,730,139 were actually transferred to Government Revenue. Detailed information is included in the following table:

Pre-Accession and Transition Facility Funds 2008		
<i>Programme</i>	<i>Funds transferred to Government Revenue</i>	<i>Funds received from Commission</i>
	€	€
TF 2004	1,157,063.56	2,067,937.72
TF 2005	3,141,785.64	2,200,373.53
TF 2006	431,289.44	994,500.00
Totals	4,730,138.64	5,262,811.25

Structural and Cohesion Funds

The Directorate also had the role of Paying Authority (PA) for Structural and Cohesion Funds and during 2008 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 2008, the Directorate experienced a heavy load of work since it had to cope with all the obligations and responsibilities emanating from the Structural and Cohesion Funds system whilst retaining all the responsibilities pertaining to Pre-Accession and Transition Facility Programmes. The Directorate performed a total of 17 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 three certifications each for the ESF, ERDF, EAGGF, EQUAL and COHESION Funds and two certifications for the FIGG. All the said certifications were accepted by the Commission and the relative funds transferred to Government Revenue.

During 2008, the PA formulated a strategy of how it will proceed in the certification of structural and cohesion funds for the programming periods 2004-2006 and 2007-2013.

The EU Paying Authority continued to establish and maintain efficient communications and contacts with the Financial Services at the 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.

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 and the relative accounts opened. 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.

Throughout the year the Directorate was involved in various fora and communicated its position on various issues including proposals for the structure and implementation of the new Structural Funds Database for the programming period 2007-2013 and also on the Manual of Procedures for the same period.

The table below indicates the aggregated amounts of Structural and Cohesion Funds per fund received from the Commission totalling €21,953,817 together with the Certifications of Expenditure effected by the Directorate throughout 2008 which amounted to €18,687,947 Amounts reimbursed by the Commission following certifications and transferred to Government Revenue, during 2008 amounted to €21,381,859.

Structural and Cohesion Funds during 2008			
<i>Fund</i>	<i>Funds Received from EU Commission during 2008</i>	<i>Expenditure Certified by the Directorate</i>	<i>Amounts Transferred to Govt. Revenue</i>
	€	€	€
ERDF	11,299,622.72	8,422,868.35	11,299,622.72
ESF	1,710,297.56	1,231,453.14	1,710,297.56
EAGGF	1,806,778.75	1,172,823.77	1,806,778.75
FIGG	624,992.67	624,992.67	624,992.67
Equal	223,106.13	200,800.31	223,106.13
Cohesion	6,289,019.09	7,035,007.85	5,717,060.88
Totals	21,953,816.92	18,687,946.09	21,381,858.71

Own Resources

The EU Paying Authority Directorate also managed the Bank Account relating to EU Own Resources. During 2008, close relations were maintained with the relevant services in DG Budget of the EU Commission 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. As a consequence, continuous contact, as an ongoing exercise, was maintained with the Customs Department regarding Traditional Own Resources (TOR), the VAT Department for the VAT-Based Own Resources calculation and the National Statistics Office (NSO) for the GNI-based workings. The PA participated and gave its contribution as a permanent member of the Task Force within the MFEI on Own Resources. 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 table below indicates the payments of Own Resources effected by the Directorate in favour of the Commission during 2008, amounting to €59,841,193. During the year, the Commission refunded to Malta €2,505,153 as indicated by the negative amounts in the totals column.

Payments to EU during 2008						
	TOR ^(B) €	VAT-Based €	GNI-Based €	UK Correction €	Reserve €	Total €
January	1,110,360.50	1,470,191.50	5,653,804.34	686,463.50	0.00	8,920,819.84
			-2,505,153.00			-2,505,153.00
February	922,316.93	1,470,191.50	5,784,035.34	686,463.50	0.00	8,863,007.27
March	850,879.05	735,095.75	2,859,459.92	343,231.75	0.00	4,788,666.47
April	1,169,755.53	735,095.75	2,859,459.92	343,231.75	0.00	5,107,542.95
May	1,076,148.33	441,057.45	1,753,474.68	205,939.05	0.00	3,476,619.51
June	906,759.14	367,547.88	1,432,593.50	171,615.88	0.00	2,878,516.40
July	1,514,725.32	441,057.45	1,115,071.61	205,939.05	0.00	3,276,793.43
August	979,923.63	441,057.45	1,672,044.10	205,939.05	0.00	3,298,964.23
September	1,083,488.60	514,567.03	1,950,718.12	240,262.23	0.00	3,789,035.98
October	1,296,179.86	508,760.74	4,077,685.97	987,941.75	0.00	6,870,568.32
November	921,820.76	712,462.25	2,915,834.75	407,702.75	0.00	4,957,820.51
December		712,462.25	2,915,834.75	407,702.75	0.00	4,035,999.75
Opting out		2,077,850.89				2,077,850.89
Correction		4,140.95				4,140.95
Totals	11,832,357.65	10,631,538.84	32,484,864.00	4,892,433.01	0.00	59,841,193.50

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 and completed an exercise with all government ministries, departments and entities to collect all outstanding travel claims from their end;
- 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 and also made a presentation to the Parliamentary Public Accounts Committee, apart from also providing information to the various stakeholders involved;
- 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 €948,380. This included €646,127 for Council Meetings and €302,252 for Commission Meetings.

Other Community Programmes/Initiatives and Other Work

Interreg IIIA

During 2008, two certifications were carried out. The expenditure certified by the Directorate amounted to €372,166. Certified expenditure transferred to Government Revenue amounted to €197,015. Funds received from the European Commission during the year amounted to €153,622.

European Globalisation and Adjustment Fund (EGF)

This fund was established to assist the re-integration into employment through occupational guidance, training and retraining, aid for self-employment, job search allowance and a redeployment scheme. Funds received from the EC during 2008 allocated to this fund amounted to €681,207. A Commission on-the-spot check was carried out during the year and the findings were positive as regards the quality of the control environment. Furthermore, the Directorate carried out its own checks on this fund.

Solidarity and Management of Migration Flows

The EU Paying Authority Directorate will perform the role of Certifying Authority for this fund for the 2007-2013 Period. There are four funds related to Migration Flows, namely European Refugee Fund (ERF), External Borders Fund (EBF), Return Fund and Integration Fund. The aggregate amount for the four funds is circa €122m for a number of projects to aid Malta in dealing with illegal immigration. During the year, the Directorate was involved in various meetings with all the stakeholders and gave its contribution for the setting up of the payments and certification process system. In 2008 the Commission carried out an audit mission and concluded that there were no material concerns about the structure and functioning of the proposed system.

Fiscalis Programme

Work was carried out as National Co-ordinator and representative of the Fiscalis Programme 2013 within the MFEL. As Account Holder, the Directorate managed the Malta Fiscalis Account held at CBM, regarding the transfer of funds from the EU to Government Revenue which for the year amounted to €86,778. Funds received from the Commission during the year amounted to €177,855. This Office also co-ordinated and managed Malta's participation in various activities offered by the Fiscalis Programme such as seminars, exchanges, multilateral controls, committees and workshops and also contributed towards the hosting of a VAT Fiscalis Seminar in Malta.

Other Work

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

- hosting a delegation from the Croatian Ministry of Finance headed by the State Secretary, for the provision of advice and information on the work processes of the PA and also as the NAO in Malta, to help them set up their own system as a candidate country for EU membership;
- monitoring and processing funds under the PRINCE agreement with the European Commission to finance the euro changeover process;
- involvement in discussions on the JEREMIE initiative to assist SMEs;
- participation in the Monitoring Committee and Annual Meeting for the European Economic Area (EEA) and Norway Financial Mechanisms;
- keeping abreast with developments in the EU on various issues.

CLAUDE CUSCHIERI
 Director (EU Paying Authority)

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 (MFEI). As such, the EU Affairs Directorate is also responsible for co-ordinating the drawing up of a national position in preparation for meetings at the level of the EU Council and Commission. As such, the Directorate is involved in the dissemination of meeting agendas and documentation, co-ordination of attendance of officials at the meetings and the drawing up and clearance of instruction notes to be used by the technical officials and attachés participating in the meetings. The Directorate compiles Malta's position in consultation with the technical experts from both the public and the private sector. The Directorate is also responsible for preparing periodic status reports on the activities and operations of the EU Affairs Directorate. It also provides adequate support to the Ministry's departments in areas relating to the European Union.

Progress Achieved in 2008

During 2008, the EU Directorate faced a number of new challenges. Under the previous legislature, the Directorate was mainly responsible for EU-related issues falling within the Ministry of Finance portfolio. Following the General Elections of 2008 and subsequent change in ministerial portfolio, the Directorate's responsibilities increased substantially to include EU competitiveness, EU trade and the Internal Market. The EU Affairs Directorate also moved to more modern premises to accommodate a larger team.

The Directorate has, since its inception, made extensive use of family-friendly measures, especially since the team is mainly composed of young mothers. This trend has continued in 2008 with six officers out of eleven who telework and two working on reduced hours. Teleworking has enabled two officers to revert back to a full-time job, having previously worked on a reduced hours basis.

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

The Directorate continued 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 (IMC). Once approved by the Committee, the memoranda were then presented to the Cabinet for endorsement. The Directorate co-ordinated the transmission of the approved memoranda and the holding of meetings on very technical subjects with the Standing Committee for Foreign and European Affairs for discussion. During 2008, a total of 151 memoranda were prepared for presentation at the IMC meetings.

Apart from preparing for Council meetings, the EU Affairs Directorate is also heavily involved with the preparation for visits by foreign dignitaries to Malta. During 2008 alone, the EU Affairs Directorate was involved in the co-ordination of the visits of two EU Commissioners and two Finance Ministers hosted by

MFEL. Besides these visits, the EU Affairs Directorate was also involved in the preparation of briefing notes for the Prime Minister during his visits abroad.

During 2008, the Directorate continued to follow projects under the Transition Facility 2004, 2005 and 2006, with the assistance and support of the Programme Implementation Directorate of the Ministry. Several projects falling under Transition Facility 2004 and 2005 were concluded successfully.

DIANE SAMMUT
Director (EU Affairs)

Programme Implementation Directorate

BACKGROUND

The Programme Implementation Directorate is responsible for the management of the Ministry's Change Management Programme, including facilitating the implementation of the Ministry's endorsed policies, strategies and change management programmes and monitoring the implementation of the required programmes and activities, including customer care initiatives and green initiatives, to ensure the efficient delivery of the Ministry Business Plan. The Directorate also co-ordinates projects falling under the remit of the Ministry of Finance, the Economy and Investment (MFEI) that are co-financed by the EU Structural Funds under the 2007-2013 programming period. The Programme Implementation Directorate also co-ordinates the setting up and re-appointments of boards and committees that fall under the Ministry's remit.

Customer Care Queries

This Directorate handles the Customer Care issues that fall under the remit of the Ministry of Finance, the Economy and Investment. Complaints are received both from the local general public and even from non-locals and these may also submit complaints, suggestions and queries through the Ministry's website, the Customer Care Local Councils Network, *servizz.gov*, in writing, by telephone or by calling personally at the Ministry. The following table reports on the number of cases which were received by this Department through the various channels available to the public.

Customer Care Issues - 2008								
	Customer Care Network		Website		Tel	Personal Calls	Letters	Total
	Clearance House	Local Councils	Local	Foreign				
Totals	89	34	344	155	173	11	2	808

Green Initiatives

During 2008, the Ministry continued to increase awareness amongst its staff members on green initiatives with various initiatives that included the installation of a reverse osmosis system that reduced the consumption of mineral water plastic bottles.

The custom of electric kettles in each section was prohibited and staff members were instructed to make use of the electric kettle in the kitchenettes on each floor. Where possible, energy saving bulbs and tubes replaced normal ones and staff members were encouraged to make more use of natural lighting. Staff members were also advised to switch off all electrical appliances during break times and before leaving their offices, thus resulting in a reduction of electricity consumption. Centralised duplex printers were introduced where possible and the Ministry continued with its policy of recycling the debris and surplus material from the refurbishing that is currently taking place within the Ministry's buildings.

EU Structural Funds 2007-2013

During the year under review, the Ministry of Finance, the Economy and Investment took under its responsibility several EU funded projects that were previously under the remit of other ministries and that

were funded under the 2004-2006 programming period. This Directorate co-ordinated these projects and also the application for new projects under the 2007-2013 programming period. Several project applications were filed and subsequently approved and these include the expansion of the Kordin Business Incubation Centre, the Setting up of a Life Sciences Centre, the Upgrading and Embellishment of Industrial Parks and the project for Developing National Metrology Capacity in Support of Industry. This Directorate also co-ordinates the Aid Schemes for Industries that are managed by Malta Enterprise.

Representation on Boards

The Programme Implementation Directorate through the Director participated in a number of boards during the year under review. These included the DAS Replacement Project Board, the Sanctions Monitoring Board and the Board of Standards.

AUDREY-ANNE CALLUS RANDICH
Director (Programme Implementation)

Policy Development Directorate

INTRODUCTION

During 2008, the Policy Development Directorate within the Ministry of Finance, the Economy and Investment (MFEI) continued to focus upon its core areas of responsibility namely the development of policies, 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. This role generally entails background research, synthesis of information, and consultation with stakeholders to produce policy options.

As from June 2008, following the dissolution of the Ministry for Competitiveness and Communications and subsequent transfer of the Competitiveness portfolio to MFEI, the Directorate was laterally moved to MFEI. In this connection, MFEI is now the lead ministry for the Competitiveness Council. As a result the Directorate has a wide breadth of responsibilities in connection with this Council formation. These include, *inter alia*, the co-ordination of the Ministry's contribution to the National Reform Programme and monitoring of the progress achieved in its implementation. The Directorate also provides advice on policy issues and co-ordinates the preparation and formulation of Malta's positions on issues pertaining to Better Regulation, Single Market Review and the Lisbon Strategy. This is done by keeping abreast of the policies being proposed and discussed by the European Union that might have a direct or indirect impact on the policies, strategies or operations of the Ministry or other government entities. To this end, the Directorate represents the Ministry on EU Council and Commission Working Parties and High Level Groups.

Administrative Burden Reduction

Back in September 2007, the Directorate was entrusted with the responsibility for the measurement of Administrative Burdens affecting local businesses emanating from national legislation. This exercise focuses in particular on SMEs and micro enterprises and will alleviate the burden on the economy by identifying and reducing costly and time-consuming information obligations.

In January 2008, the Directorate kick-started a public consultation process in order to obtain a clear picture of the perception of administrative burdens by businesses. The Directorate, in collaboration with the European Commission, organised a conference in February 2008 with a view to raise awareness on the Administrative Burden Reduction Programme. Following this, the Directorate conducted a reviewing exercise on the legislation in four priority areas: company law, financial services, food safety and VAT, and then broadened its scope to include pharmaceutical legislation, working environment/employment relations, fisheries, public procurement, and environment. Information obligations originating from national legislation were identified, with a view to setting a realistic reduction target and to achieve tangible benefits for businesses.

Malta is fully committed to ambitious and systematic simplification to reduce administrative burdens on businesses and it has set a target to reduce administrative burdens on businesses by 15% by 2012. However, Malta is leaving open the possibility of adjusting this target after completing the measurements. Meetings have been held with constituted bodies in order to ensure that the simplification measures identified would translate into tangible reduction of administrative burdens to the maximum benefit of local enterprises.

Single Market Review

In September 2007, the Directorate assumed the responsibility to lead and co-ordinate issues pertaining to the Single Market. In November 2007, the Commission launched the Single Market Review package, which is an ongoing review that sets out its vision for a modern Single Market among all EU Member States. To this end, during the first half of 2008, the Directorate co-ordinated, with the respective line ministries, the consolidation of Malta's dossier on this review.

Lisbon Strategy

The Directorate co-ordinates the Lisbon Strategy for growth and jobs at EU level. Following the worldwide financial turmoil that ensued in the last quarter of 2008, the European Commission came up with an 'Economic Recovery Plan'. To this end, this directorate jointly shared, with the Economic and Policy Division within MFEI, the consolidation of Malta's position on this plan which required a co-ordinated effort by all stakeholders involved, since the recovery plan dealt with an extensive range of policy issues.

Malta National Reform Programme (NRP)

The Directorate is responsible for ensuring that the NRP measures relating to the entities falling under the MFEI, are meeting the established time frames for their implementation. During the third quarter of 2008, the Directorate consolidated the submissions received from entities falling under MFEI's remit on the progress achieved in implementing the NRP measures for the period under review. Furthermore, the Directorate also co-ordinated the Ministry's submissions from the respective entities to the new NRP cycle which covers the period 2008-2010.

Policy Papers

During 2008, the Directorate conducted research work on a wide range of policy issues. In particular, the Directorate prepared a dossier on the Creative Economy, which is an evolving concept that is gaining ground in current thinking about economic development.

The Directorate also followed closely the Ernst & Young's Malta Attractiveness Survey for 2008, by providing an overview of the survey to the relevant MFEI stakeholders and requesting their reaction on the issues falling within their remit. In addition, the Directorate also worked on the concept of Sustainable Localities by looking at a number of eco-initiatives undertaken abroad, as well as on other *ad hoc* issues such as sports financing and Gozo's ecological dimension.

In October 2008, the Directorate drafted a Memorandum to Cabinet putting forward its proposal for the setting up of a National Design Agency. The memorandum was the upshot of extensive research that the Directorate had carried out over a number of weeks, in which it explored the many possibilities and opportunities presented by innovation and design, reviewing the experience in other countries and suggesting similar structures locally. This was done in response to fresh figures that highlighted once again Malta's need to address this sector. As a result of the positive argument in favour of this initiative, in the Budget for 2009 Government committed itself to set up *Design Malta*, having the professed objective of aiding and sustaining all those initiatives that are being undertaken in order to encourage the development and creativity of design in Malta.

Inter-Ministerial Committees

During 2008 the Directorate represented the Ministry on the following Committees:

- Inter-ministerial Committee on the UN's Convention on the Rights of Persons with Disability. This committee was set up in order to identify and examine the relevant local legislation which is not compatible with the Convention and to advise on the required legislative and policy changes;
- Inter-ministerial Committee on the International Council of Nurses (ICN) Congresses in Durban South Africa (2009) and in Malta (2011). The committee's aim was essentially to co-ordinate the forthcoming activities required to organise the activities related to both the 2009 and 2011 ICN Congresses being held in Durban, South Africa and in Malta respectively;
- Inter-ministerial working group on the Proposal for a Council Directive on implementing the principle of equal treatment between persons irrespective of religion or belief, disability, age or sexual orientation (Anti Discrimination Directive). This committee was set up to carry out an analysis of the proposed directive, establish potential impact of its provisions taking into account related legislation already in place, and formulate Malta's position and strategy for negotiations.

Seminars and Workshops

During 2008, the Directorate continued to ensure that it was always duly represented by a member of staff in national conferences and workshops focusing on various policy issues. These included:

- Skills for the Future Conference organised by NCHE (September);
- Conference on Government's Vision 2015 (October);
- Pre-Budget Consultation Meetings (May – June);
- Better Regulation workshops organised by the Management Efficiency Unit in collaboration with Northern Ireland Public Administration (NI-CO) (June – July);
- GRTU SME Day Conference (June);
- Konferenza Nazzjonali dwar l-Intraprizi Żghar u Medji Insahhu l-Intrapriza ghall-Holqien tal-Gid (September);
- Seminar on the Functioning of the Notification Procedure Laid down by Directive 98/34/EC (September);
- Success Stories Project – Better Regulation: Reducing Administrative Burdens on Businesses (October);
- Access għal Kulhadd, Suċċess għal Kulhadd permezz tal-Konvenzjoni tan-NU (December);
- Konferenza Nazzjonali fuq it-Trasport Pubbliku (December).

Overseas Participation

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

- Joint HLG Competitiveness & Growth and Economic Policy Committee Meeting, Brussels (January);
- High-level Colloquium Delivering Better Regulation for Europe's Citizens and Businesses -Taking Stock of the EU's Better Regulation Strategy, Brussels (September and November);
- Group of High Level National Regulatory Experts Meetings, Brussels (January, April and November);
- Better Regulation Single Point of Contact (SPOC) Meetings, Brussels (March, June, September and November);
- Internal Market Advisory Committee (IMAC) Directorate General level, Brussels (April, November);
- Internal Market Advisory Committee (IMAC) Working Group level, Brussels (February, May, October);
- Better Regulation Conference – Cutting Red Tape for Europe, Brussels (June).

MARTIN SPITERI

Director (Policy Development)

Enterprise Policy Directorate

The Enterprise Policy Directorate was set up in the Ministry following the reallocation of portfolios after the March 2008 General Election. It started operating at the end of the second quarter of the 2008 and is currently made up of three officials. The process to recruit additional staff is in hand.

The Directorate's goal is to provide:

- informed advocacy;
- effective input into development of policies that affect small business;
- developing better understanding of small business;
- improved government service delivery to small business.

This should contribute to the development of an enterprise policy for Malta, focusing on SMEs. The Directorate also represents the Ministry in a number of EU fora and provides, where appropriate, feedback to the EU Affairs Directorate on issues which are of direct relevance to the sector.

It is the Ministry's intention to set up an Enterprise Consultative Council (ECC) composed of key stakeholders of enterprise in Malta. The ECC would act as the platform for exchanging ideas and eventually launching policy initiatives and the Enterprise Policy Directorate would also function as the Council's Secretariat.

The Directorate has been given responsibility for co-ordinating initiatives related to the Small Business Act (SBA) proposal made by the EU Commission earlier this year. The thinking behind the SBA is to fully unlock the growth and jobs potential of SMEs and make full use of their innovative capacities by refocusing attention on SMEs' needs in EU and national policy making through a package of political principles accompanied by a set of ambitious actions by the EU and Member States. Work has started to consult government entities and public stakeholders on the measures proposed in the SBA to identify how, and to what extent, these and others can be implemented in Malta.

The Directorate is also responsible for the transposition of the Services Directive, which has to be transposed by December 2009. The Directorate co-ordinates with other ministries the implementation of the directive's various initiatives which include an exercise to simplify the process and limit the instances where an authorisation is required for the provision of a service. The directive also requires the setting up of a Point of Single Contact through which applications can be made and authorisations given using electronic means, as well as the provision of information for service providers and service recipients.

During 2008, work focused on the finalisation of the screening and identifying amendments required to existing legislation regulating the authorisation processes and on the drafting of a parent Act to transpose the relevant horizontal provisions of the Directive. Agreement has also been reached with the Malta Information Technology Agency to start working on the electronic system required for the operation of the PSC.

ANTON SPITERI
Director (Enterprise Policy)

Information Management Unit

BACKGROUND

In June 2008, an Information Management Unit (IMU) was officially established for the first time within the Ministry. Four newly recruited ICT officers were allocated to the IMU and occupied the following four management posts: ICT Governance Officer, ICT Contracts and Services Officer, ICT Applications Officer, and Management Information Systems Officer. The IMU was responsible for the provision of information management services and related technological infrastructure to provide the necessary ICT support for the Ministry and its departments. Apart from the routine operational and support services that the IMU offers, what follows is an outline of the projects and initiatives in which the IMU was directly or indirectly involved during the year under review.

Local Area Networks

The IMU co-ordinated the following works related to networking which have been carried out at the Ministry and its departments:

- Patching of a number of network and telephony points due to the re-allocation of staff following office moves within the Ministry at Maison Demandols;
- A LAN extension at the Inland Revenue Department;
- Wireless LAN at the Contracts Department Boardroom;
- New 48 port network switch at Maison Demandols;
- New LAN at Hal Far Groupage Container Complex (Customs);
- New network points at the EU Programmes Section of the Customs Department;
- Network Extension at the Treasury and re-wiring of the main network cabinet;
- LAN extension at Customs Freeport Office by laying a new fibre optic cable from the gate to the warehouse;
- Replacement of some other switches.

Requests for Services

In order to streamline more the requests for ICT services from MITTS, new procedures for creating and approving Electronic Requests for Services (ERFS) by users have been put into effect throughout the Ministry and its departments. The loggers and approvers of each unit/department have been identified and their roles have been segregated such that loggers and approvers are distinct persons. All final approvals were granted only through the IMU. This two level approval process ensured more accountability and control on the Ministry's ICT budget. On the same lines, the password notification process was also streamlined to ensure more security.

ICT Budgeting 2009

In July, the budgeting process to submit the Operational (OPEX) and Capital (CAPEX) ICT budgetary requirements for the Ministry and its departments for 2009 was commenced. A number of meetings with all relevant stakeholders were organised in order to assess the ICT requirements for the coming year. The finalised ICT Budgets were forwarded to MITTS in October.

Leasing

The IMU co-ordinated with MITTS the Desktop Leasing Services programme intended to replace desktop PCs and laptops with leased ones. During 2008, leased PCs including a number of laptops have been rolled out in the following entities: Ministry Private Secretariat, Parliamentary Secretariat, Support Services and Corporate Services Directorates, Government Property Division, Treasury Department, Economic Policy Division, Customs Department, Consumer and Competition Division, National Statistics Office, Commerce Division, VAT Department and the Inland Revenue Department.

Procurement and Supplier Management

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

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

The IMU was also involved in managing suppliers and co-ordinating repairs on electronic equipment that need 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.

ICT Asset Register

An ICT Asset Register for the Ministry and its departments has been compiled. The register gives a snapshot of all the physical and intangible ICT assets within the Ministry and its departments. The assets include network equipment, information systems, ICT personnel, work centres and other specialised hardware and software. The asset register will be used by the IMU as a basis for a proper ICT asset management framework.

Consolidation

As part of the ongoing ICT consolidation exercise within Government, the IMU assisted MITTS in migrating several ICT services within the Tax Compliance Unit (TCU) at Marsa to the Government's IT infrastructure at MITTS. This migration mainly included the data residing on servers. Besides, all users' PCs have been reconfigured to use new shared drives, receive Windows updates from MITTS servers, have their antivirus software updated and SMS (Windows Messaging Service) installed. The wide area network connectivity was changed from Ethernet over Fibre to Extra Connectivity with dual redundant fibre paths and IP renumbering was effected. The two servers that were previously used by the TCU were decommissioned.

The preliminary work to consolidate the Government Property Division and the Consumer and Competition Division in the forthcoming year was also commenced.

Departmental Support

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

Government, Commerce Division, Consumer and Competition Division, Accountancy Board and the Contracts Department.

Exemptions and Waivers

The IMU received a number of ICT requests which, due to GM ICT policies, required a formal exemption from the MITTS ICT Compliance Department in order to be implemented. The process for co-ordinating the submission and eventual processing of exemptions by MITTS was fully conducted by the IMU.

Training

During the year, IMU officers underwent training on the following subject areas: Induction course for new ICT officers, Web Content Management, Project Management, Public Procurement, and Information Security. An official also attended a training workshop abroad on Information Systems currently in use by the Commerce Division. Local conferences dealing with IT security, virtualisation and enterprise solutions were also attended by IMU staff.

ICT Awareness Programme for Employees

As part of its effort to provide end user ICT support, the Information Management Unit launched an ICT Awareness Programme aimed at providing Ministry employees with comprehensive and useful information. A series of short, focused and easy to follow publications are being circulated to all users within the Ministry. The intention is that, through these publications, users are educated and/or trained on specific ICT topics. It is envisaged that these publications will assist in enhancing efficiency and effectiveness through a more informed use of ICT related technologies. Three publications have been published so far, dealing with the following topics: Telephone Conferencing; Social Engineering; and Data Backups.

Websites Support

A number of departments falling within the Ministry's remit expressed an interest in having a web presence. In this respect the IMU explored the possibility of developing child websites which form part of the Ministry's website framework – whereby the same technology, content management and infrastructure are used. The main advantage in adopting this system was to avoid the cost of developing a completely new website. Using this model, the IMU launched a new website for the Notary to Government (<http://notarytoGovernment.gov.mt>) and will be launching shortly a new website for the Consumer and Competition Division.

The IMU was also involved in updating on a continuous basis the Ministry website especially during the Budget process and also the registration of new domain names. The Parliamentary Secretariat for Revenues and Land were also assisted in launching their information pages on the web related to their campaign against squatters and illegal buildings under the domain <http://www.1577.gov.mt>.

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

The IMU, in co-ordination with MITTS, ensured that Ministry websites that make use of online payment functionality are in line with a new security requirement. This was related to the introduction of Card Verification Value 2 and Card Verification Code 2 (CVV2/CVC2) for all online electronic payments processed through the Government of Malta Electronic Payment Gateway. These systems were updated to use the new functionality in order to allow access by the banks. The websites that were upgraded were:

- www.ird.gov.mt of the Inland Revenue Department

- www.vat.gov.mt of the VAT Department
- www.gpd.gov.mt of the Government Property Division (e-rent section)

Windows Vista Readiness

In February 2008 MITTS kicked off a project to assess the impact of deploying the Windows VISTA operating system across Government. The IMU assisted MITTS in this exercise by gathering the necessary information about its Information Systems and check which systems were compatible or not and what will be the expense involved if it is possible to upgrade and/or amend such systems. The scope of the exercise was also to determine the status at which current information systems stand, should a technology refresh be required whether it is Vista or some other new operating system version such as Windows 7.

Representation on Boards

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

Warrants Portal

MITC commenced work in developing a web portal for warrant holders. The IMU assisted MITTS in bringing on board the Accountancy Board and the Notary to Government by guiding and assisting these two entities to define their business requirements and ensured that the Warrants Portal Business Analysis catered for the needs of these two departments.

Trademarks and Patents Portal

In partnership with MITC under the Alliance Agreement Programme, the IMU assisted the Commerce Division in the process of implementing the Patents and Trademarks Portal. The IMU liaised with MITTS and assisted the Division in compiling the business and technical requirements. The portal will be launched next year.

Services Directive

The IMU started liaising with MITTS to assist the Enterprise Policy Directorate within the Ministry in implementing the electronic means part of the services directive. The directive mandates the setting-up of fully functioning and interoperable electronic procedures by the end of 2009 in order to attain the goal of administrative simplification which is at the root of the Services Directive.

Complaints Handling System

The Complaints Handling System used by the Consumer and Competition Division was upgraded with a number of changes. These included migration to a new SQL database and a number of additional pre-programmed letters and reports. Data migration from the old to the new system is now scheduled for early next year.

Used Vehicle Valuation System

The IMU assisted the Financial Policy Development and Analysis Directorate within the Ministry and the Malta Transport Authority in implementing and launching a new web portal to allow second-hand car dealers and private importers to obtain indicative vehicle registration tax due on imports both from EU and non-EU countries.

Fleet Management System

During the year under review, a lot of progress was registered on the implementation of the fleet management system. By year end 2008, with the exception of Civil Protection, Police, and AFM where work is still in progress, all the Public Service had the system installed and implemented.

A number of enhancements to the fleet management system have been proposed, tested and implemented. These include:

- A reconciliation function for invoicing purposes;
- Fuel limits added for those ministries/departments that have or required quotas for general use vehicles. This was offered as an optional function;
- Better control of user functions have been made available which allows for more flexibility and better control to access functions within the application;
- The newly released version (08/01/2009) of the client FMS allows for variable fuel costs (due to this commodity being liberalised) to be adjusted accordingly for each and every requisition.

More enhancements have been planned for the coming year. These include:

- Integration of government vehicle licensing with E-VERA (ADT). This will provide officers in charge of transport with information related to pending CVA's or citations which will need to be paid prior to the road licences being issued. This will also include information related to CO emissions;
- Alarm system for VRT, maintenance and services, citations and licensing. Some of the alarms will trigger stoppage on fuel issuance if necessary;
- Scanned document capture for collisions, quotations etc;
- Immediate fuel requisition reconciliation by Government fuel attendant i.e. for Kordin, Police and AFM fuel stations;
- Short term vehicle replacement function to be added;
- Other improvements and enhancements related to reporting.

ALBERT VELLA
Chief Information Officer

Commerce Division

INTRODUCTION

The role of the Commerce Division is to assist business and facilitate trade by providing effective support and services within the relevant regulatory and administrative framework in its remit.

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

OPERATIONS

The Commerce Division performs the following duties:

- registration of trademarks, certification marks, collective marks and designs;
- patenting of inventions;
- issuing of supplementary protection certificates in respect of medicinals and plant protection products;
- issuing of trade licences;
- recording of transfers, cancellations, amendments and renewals regarding trading licences as well as trade marks, patents and designs;
- authorisation of the export and transaction of dual use goods;
- issuing of import licences and export licences;
- administration of EU import quotas;
- administration of temporary state aid for sugar;
- licensing of auctioneers;
- dissemination of information relevant to the business sectors;
- acting as an intermediary vis-à-vis complaints and enquiries from businesses about services provided by Government and other entities;
- assistance in the setting up of business associations and facilitation of relationship of the latter with service providers;
- co-ordination the implementation of the IMAC (IMI) System in Malta;
- 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 the drafting of legislation relating to trade and intellectual property;
- providing input on drafting related EU directives and regulations as well as international treaties;
- participating in international and EU meetings as required.

SALIENT STATISTICS FOR 2008

Trade-Related

Applications were received, processed and published in the Government Gazette as follows: 255 new applications for premises based activities, 25 for reactivation of licence, 310 for transfer of licence, nine for transfer by inheritance, 34 for market hawkers, 52 for street hawkers, one for substitute hawker, 17 for

buskers, six for marketing agents, 55 for registration of freelance activity non-premises based, two for changes from old to new regime of licences, three for late night shopping, 13 for extension of time, 27 for commercial fairs, 21 for car boot sales, and 40 for change or additional activity.

Furthermore, 1,980 applications were received for import licences and 18 for export licences. There were also 30 applications for exports of dual-use goods and military equipment.

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

Industrial Property-Related

During the year, 1,264 applications were received for registration of trademarks, and 37 for patenting of inventions. Furthermore, there were 3,090 Industrial Property searches.

The Commerce Division through its Industrial Property Registrations Directorate was called to testify in court 68 times on intellectual property related issues.

Crafts

Members registered with the Malta Crafts Council as at end December 2008 stood at 810 craftsmen and 431 entrepreneurs. Visitors (including locals and tourists) to a local exhibition of crafts at Crafts Centre Valletta were 33,400.

ASSISTING BUSINESS

Business Care Unit

The Commerce Division, through the Business Care Unit of the Small Business and Crafts Directorate, continued to give first-hand assistance and advice to clients who required any service offered by the Division. During 2008, circa 2,404 telephone enquiries and 3,277 personal visits were received at the Business Care Unit mainly in relation to services offered by the Commerce Division.

Malta SOLVIT Centre

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

SOLVIT Malta received 42 enquiries during 2008. Out of these, 38 did not qualify as SOLVIT cases whilst the other four cases were inputted in the SOLVIT database, with Malta acting as Home Centre. One enquiry received during 2007 was inputted as a case in 2008.

Awareness Activities and Meetings with the Business Community

During 2008, the Division organised a number of meetings which included discussions with representatives of various sectors of entrepreneurs, meetings with service providers as well as a number of consultation meetings on specific issues of interest to the small business community.

During 2008, five meetings were organised at various local council offices for entrepreneurs operating in the respective localities. These meetings provided an opportunity for those who attended to meet the

Parliamentary Secretary responsible for Small Businesses and the Self Employed to discuss difficulties concerning their businesses.

The Commerce Division also 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.

An awareness campaign on trademarks and designs, emphasising also the importance of Community Trademarks and Community Designs was carried out in the latter part of 2008 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 by the Commerce Division in this year's edition of the International Fair of Malta was more challenging than in previous years. The main theme of the Commerce Division's stand at the International Fair of Malta 2008 focussed on the promotion of intellectual property, primarily patents, and the correlation and synergy between innovations and local crafts thereby also giving the latter the opportunity to exhibit their products. For this activity, the Commerce Division utilised funds available under the National Action Plan entered into between this office and the European Patent Office.

Thirty crafts persons, registered with the Malta Crafts Council, participated in the Fair and were given the opportunity to exhibit and sell their local products.

LEGISLATION AND BETTER REGULATION

The Division is regulated in its activities by the following main legislations: the Auctioneers Act; the Commercial Code; the Trading Licences Act 2001 as amended; 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 Trading Licence Regulations LN 1 of 2006 were amended in 2008 in respect of commercial activities licensed by the Commerce Division through the Trading Licences Unit of its Trade Services Directorate via LN 104 of 2008 giving power to the Minister so that in special circumstances, by notice in the Government Gazette he may grant an exemption to the minimum limit of business hours during which commercial outlets may remain open and also approve opening of shops on Sundays and public holidays.

INTERNATIONAL AND EU INITIATIVES

International Instruments

On 21 July, Cabinet approved Malta's accession to the WIPO Copyright Treaty and the Performances and Phonograms Treaty as well as the draft bill which would bring into effect minor amendments to the national Copyright Legislation in order that Malta may accede to these treaties. These treaties were concluded under the auspices of the World Intellectual Property Organisation (WIPO) in 1996. The main thrust of the WCT and WPPT (as they are more commonly referred to) was to introduce further harmonisation on a global level in the area of Copyright and Neighbouring Rights particularly within the framework of the digital age. It is expected that Parliament will be discussing the afore-mentioned Bill early in 2009 following which Malta can proceed with the simultaneous deposition of the instruments of accession together with other EU Member States who are not yet party to these treaties.

Participation in EU and International Meetings

Officials from the Division participated in EU and international meetings pertaining to its remit or in order to assist other entities. Meetings concerned the following issues: Sanctions Monitoring, Dual Use Goods, the European Charter for SME's, Trademark Practice and Procedures, Protection of Designs, Trade Related

Aspects of Intellectual Property Rights, Patents, Copyright, Patent Libraries, Better Regulation, The Internal Market Information System, European Enterprise Awards, Regulation 2679/98 EC on Disruption to the Internal Market and Crafts.

In addition to the above, the Division participated in the General Assembly of the World Intellectual Property Organisation and the meetings of the Administrative Council of the European Patent Office and of the Administrative Board and Budget Committee of the Office of the Harmonisation of the Internal Market (OHIM), as well as the EPO's Budget and Finance Committee, the Committee on Patent Law and the Working Party on Technical Information. 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 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 2008 the Commerce Division benefited from a co-operation agreement aimed at increasing awareness on intellectual property rights and in particular the Community Trademarks and Community Designs. Discussions with a view to conclude a similar agreement for 2009 were also initiated.

Co-operation with the European Patent Office

In February 2007, 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. In 2008, on the initiative of the Ministry's IMU team, discussions were initiated with EPO for 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.

Following representations made by the Commerce Division to the Administrative Council of the European Patent Organisation during 2007, the following agreements were concluded with the EPO in 2008:

- a National Action Plan for Malta for the years 2008-2011 whereby Malta will benefit from assistance aimed at improving the national infrastructure in the area of patent, promoting the protection of inventions and patent information dissemination;
- a working Agreement between the EPO and Malta, whereby Malta is now in a position to request searches from the European Patent Office to determine the level of novelty in patent applications.

Co-operation with EU DG Enterprise

IP Base – This office is actively participating in an EU trans-national project, known as IP Base, involving 26 IP Offices around the EU whose main objective is *to raise awareness of and knowledge of IP rights in particular for SMEs*. The project, which commenced in November 2007 and ends in 2010, consists of some 15 Work Packages (WPs) grouped under three Modules. This office is pro-actively participating in this project by providing input to 7 of the WPs found under Module 1: Local Level SMEs Services for IPR Awareness and Enforcement.

Co-operation with the World Intellectual Property Organisation (WIPO)

The Division commenced negotiations with WIPO for assistance in drawing up an IP Strategy for Malta. In this regard this Office has participated in two national seminars held in Romania and Serbia in order to

acquire information from other offices that have already implemented such a strategy or are in the process of doing so.

Furthermore, a WIPO fact-finding mission came to our offices in June 2008 with a view to assess national requirements for the implementation of the IPAS system for trademarks that will contribute to the simplification of the trademark procedure and will also facilitate the trademark search tool, which is a highly requested service by the public from this office.

TRAINING

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

During the past year, officials from the Division attended several courses organised by SDO which were complemented by ad hoc seminars organised by the Commerce Division on social and health issues such as drug abuse, alcohol awareness, gambling and waste management.

A new training room was refurbished through joint efforts of staff and equipped through funds presented by the European Patent Office. The training room was inaugurated during a pastoral visit to the Division by His Grace the Archbishop.

GODWIN WARR

Director General (Commerce)

Consumer and Competition Division

Mission Statement

Making Markets Work Well: The objective of the Consumer and Competition Division (CCD) is to ensure the enhancement of consumer welfare. This is achieved through either competition policy which approaches markets from the supply side or through consumer policy which approaches the market from a demand side.

ORGANISATION STRUCTURE

Four directorates operate within the Division, namely:

- the Competition Directorate responsible for the application and enforcement of competition law;
- the Consumer Affairs Directorate which in turn is responsible for mediating between consumers and traders, disseminating information regarding consumers' rights and education;
- the Operations Directorate responsible for monitoring and intervening in the market when necessary; and
- the Enforcement Directorate for the enforcement of the price indications and price monitoring.

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

The Division is currently undergoing a thorough strengthening process to enhance its enforcement capabilities. This exercise is being conducted following an assessment of what essentially are its proper functions, and the *raison d'être*, role and purpose of the Office for Fair Competition and the Department of Consumer Affairs. This exercise also permitted to identify those areas, both legal and administrative, which need particular attention in terms of modernisation of law and upgrade in human resources levels.

OFFICE OF THE DIRECTOR GENERAL

Unfair Commercial Practices – A Year On

The legal provisions prohibiting unfair commercial practices fall under the Consumer Affairs Act (Chapter 378), precisely Articles 51A to 51J which have been enacted and published on 29 January 2008 by means of the amending Act II of 2008. These legal provisions transpose into Maltese legislation Directive 2005/29/EC of the European Parliament and of the Council of 11 May 2005 concerning unfair business-to-consumer commercial practices in the internal market.

In an effort to inform interested parties on the implications of this new legislation, the Division drew up apposite information packages on the subject to serve as guidelines and provide information in a comprehensible way. These preliminary notes have been also made available to traders' organisations during meetings held with them as part of an information campaign.

Pre-investigations and investigations of alleged unfair commercial practices have also been carried out. Legal proceedings have been initiated in 68 cases, whereby 17 of them have been settled amicably, one case was referred for proceedings before the Consumer Claims Tribunal and in three other instances administrative proceedings were instituted.

EU Directives' Transposition, Drafting of Legislation and Related Legal Work

Five new legal notices were drafted. Three notices were necessary to effect the relevant transposition of legal provisions contained in a number of EU Directives. The provisions contained in these legal notices were also explained to the Consumer Affairs Council.

Drafting of Administrative and Legal Forms, Reports and Other Documents

The Division continued to strengthen both its administrative and legal procedures directed to enforce infringements of the Consumer Affairs Act. This included drafting of new compliance order forms, letters requesting compliance, reports to Police including the relative charges and requests for the institution of criminal proceedings against defaulting traders, and administrative proceedings and fines forms.

Attendance in Court to Provide Legal Assistance

The Office also provided assistance to other directorates in their court representations in three court cases instituted before the Courts of Magistrates (Malta), where criminal proceedings had been instituted at the request of the Director General against traders who had acted in breach of consumer protection legislation.

SUPPORT SERVICES

The Unit's remit is to support the Division in its financial and administrative procedures and also to ensure that government regulations are adhered to. Furthermore it provides all the administrative backing required to issue calls for applications as and when required.

Training Courses

The Unit organised staff training for Division employees in different areas in order to keep them abreast with administrative, public policy regulations along with other courses which were directed to enhance the officers' knowledge. The areas covered concerned fire awareness, alcohol and its effects, drugs and their effects, binge drinking, gambling, and stress management, sexual harassment, gender mainstreaming and data protection. The Division was also awarded a certificate for implementing the SAFE Programme at the place of work.

Cost Saving Initiatives

The Unit took action in support of Government's policy on green initiatives. In this respect a photovoltaic system was installed. In an effort to reduce overheads, other initiatives were taken such as the installation of reverse osmosis systems, networked photocopier systems, streamlining of telephone lines and a reorganisation of the Division's car fleet.

EUROPEAN CONSUMER CENTRE

The European Consumer Centre of Malta (ECC) is part of the European Consumer Centres network with offices throughout all EU Member States, Iceland and Norway. The underlying objective of the network is to enhance consumer confidence in the Internal Market. The ECC network seeks to achieve this through the provision of information, practical advice and also by providing assistance with any cross-border complaints consumers might have.

The Division continued to operate the Centre in Malta under the same two-year grant agreement entered into with the European Commission in 2007. The grant agreement provides for the reimbursement of 50% of the total eligible costs incurred by the ECC.

In 2008, the ECC continued the role it took up in 2007, that of being the main back-up office to the Commission's information campaign for consumers. To fulfil this role, as well as perform its work plan, the ECC had to strengthen its staff complement. In March 2008, a full-time legal officer joined the ECC and in April 2008 an Executive Officer was deployed at the ECC in order to administer the front office of the Centre as well as to provide administrative support.

The ECC has also submitted its application for a grant to the European Commission for a 50% contribution to maintain its 2009 operations.

Promotional Activities

Collection of information on EU and national laws

In order to fulfil the tasks under this objective proficiently, the ECC continuously monitors and gathers information on EU and national legislation. ECC Malta mainly effects this task through the sharing of information within the network. The information gathered and shared concerned various areas. These include, amongst others, the liquidation of an airline, price indications, mobile phones and pre-paid cards, access to beaches, a ban on driving in certain German cities and Eurovision televoting.

The Centre also gathered information and participated in consultations on EU and national laws and initiatives, mainly on unfair commercial practices, consumer rights directive, timeshare directive, the European small claims procedure and collective redress.

Creation, publication and distribution of information material

The ECC has devised and issued:

- an introductory leaflet promoting the services offered by the Centre together with a number of posters and a sign;
- a leaflet on online shopping which was accompanied with matching posters, a sign and mouse mats;
- a leaflet on Unfair Commercial Practices which was also accompanied with matching posters and a sign;
- a booklet on various aspects of tourism in Malta. The content was devised during the performance of a joint research project on tourism entered into with other ECCs.

Furthermore, the ECC also submitted material and featured in a Joint Network Annual Report for 2007. It also took part in the translation of a fact sheet on supporters' rights issued by the Commission in conjunction with UEFA before EURO 2008. The fact sheet was uploaded on the ECC website.

Advertising, promotional material, press releases and contacts with the press

The ECC actively participated in the organisation of the World Consumer's Day (celebrated on 15 March) in conjunction with the Division and the EU Commission. A public event was held in Valletta. Information desks manned by ECC staff were set up where the public could make enquiries. Further to this, interviews with ECC staff were also featured on a two-page supplement distributed with the Times of Malta on 15 March 2008. This supplement also included case studies which were provided by the ECC.

In order to promote the centre, its work and provide information to the public, the ECC issued the following press releases:

- Identifying false websites and e-mails (phishing);
- Warning to e-mail users on a fake e-mail from *Poste Italiane*;
- Supporter's rights during Euro 2008;
- Launch of a Joint ECC-Net report on the European Online marketplace.

These press releases led to two interviews by the Public Broadcasting Services which were featured on the TVM news bulletins.

The ECC has since August 2008 published 10 articles in the Sunday Times of Malta, following the acquisition of a free column in this newspaper. The ECC was also approached by a journalist from the Times of Malta and an article on the ECC was published in this newspaper.

The ECC also participated in two interviews on radio and television explaining the services the Centre offers to the public.

Development, enhancement and maintenance of website

An integral part of the ECCs promotional work is its website. The website is continually updated with news and developments from the ECC Network and also from other organisations. Leaflets and other information material are continuously uploaded on the site. This year the updates dealt with the following:

- Is it fair?;
- New Regulation for services provided in the air sector;
- Scientists warn of health risks from exposure to noise from personal music players;
- Further reduction of rates for roaming calls in the European Union;
- The European Online Marketplace: Consumer Complaints 2007;
- Toy magnetic parts pose a danger if swallowed;
- Don't stay offside;
- Internet Sweep Press Release;
- EURO 2008 Supporters Rights;
- Consumer Day, Saturday 15th March 2008;
- 'Poste Italiane' – Warning to consumers and e-mail users;
- Ban on driving in several German cities for pollutive cars;
- Consumers' Corner; The Euro Changeover process;
- Consumer rights when purchasing from teleshopping programmes and other means of Distance Selling;
- Identifying false e-mails when shopping online.

Organisation of conferences, seminars, workshops

With regard to the organisation of conferences, seminars and workshops, the ECC has

- participated in the *Europe Close To You* fair and will also be participating in the organisation of the 2009 fair where it has again obtained a stand at no cost;
- prepared and given a presentation on the role and work of the ECC as well as provided information material during an open day organised by the Consumer and Competition Division on 10 October 2008;
- participated as the sole speaker in a seminar held in conjunction with the HEiA (Home Economists in Action). A two-hour presentation to an audience of approximately 50 teachers and student teachers on online shopping was delivered. About 1,500 leaflets were distributed and a further 1,500 were requested by the Association within a week. The location, promotion and other logistics were taken care of by the HEiA.

Co-operation with other EU networks

Being part of such an important EU network within the EU, the ECC seeks to co-operate with other EU networks present in Malta such as SOLVIT, FINNET, EUROJUS, Europe Direct, the Commission's Representation in Malta and Forum Malta fl-Ewropa (now MEUSAC) amongst others.

This co-operation led to the ECC participating in the *Europe Close to You* fair which is held annually by the Commission's Representation in Malta. The main theme for this year was the introduction of the euro

as Malta's official currency. The ECC has also attended meetings with the Commission's Representation in Malta and a number of other EU network offices in preparation for next year's fair.

Informal meetings with Forum Malta fl-Ewropa were also held and it was agreed that MUESAC would display ECC leaflets at their offices in Republic Street, Valletta. An agreement to participate in a radio programme by MEUSAC was also reached.

The ECC was also invited by the European Parliament Offices in Malta to be part of an exhibition to be set up in the European Parliament building in Brussels. The main purpose of the exhibition is to illustrate, through a number of concrete cases, how the European Parliament has made a difference to the benefit of the citizen through individual story telling in documentary style. The interview, which should be given at a later stage, will briefly outline how the ECC utilises on a daily basis the legislative tools enacted by the European Parliament for consumers.

Co-operation with other stakeholders in the field of consumer protection

Meetings were held with the Division on various topics and joint initiatives such as the screening of commercial guarantees and analysis of the consumer scoreboard were undertaken. Preparation of reports, consultations and position papers were also undertaken.

The Malta Tourism Authority and the Department of Civil Aviation were also regularly approached regarding case handling. The Malta Tourism Authority was invited to a conference on Tourism in Torremolinos, Spain, as part of an ECC-Net joint project. During the conference, the Malta Tourism Authority explained the Eco-certification scheme for hotels that they administer.

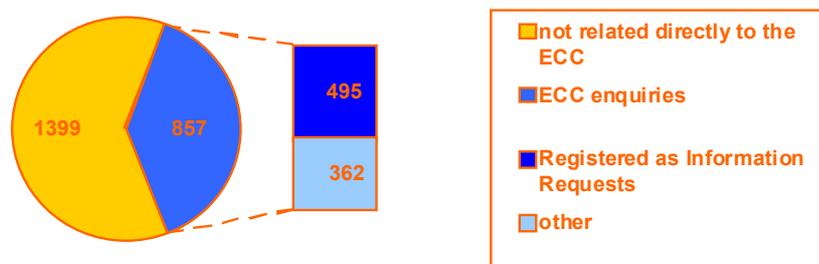
The Malta Financial Services Authority and the Malta Communications Authority were also contacted in relation with certain requests for information.

Direct provision of Information

A fundamental role of the ECC is that of providing quick, clear and practical information. During 2008, ECC Malta dealt with 2,256 enquiries, out of which 857 were directly related to the ECC. The other 1,399 enquiries were consumer-related but did not fall within the competence of the ECC and were forwarded to other organisations, mainly the Consumer and Competition Division. Out of the 857 enquiries handled, 495 were logged in the Commission's IT tool as information requests with the remaining being otherwise classified as complaints or handled otherwise due to their nature.

In its grant agreement with the EU Commission, ECC Malta had foreseen that it would receive 150 information requests. The 495 information requests received surpass this figure considerably.

Enquiries and Information Requests



Assisting a consumer with a complaint or dispute

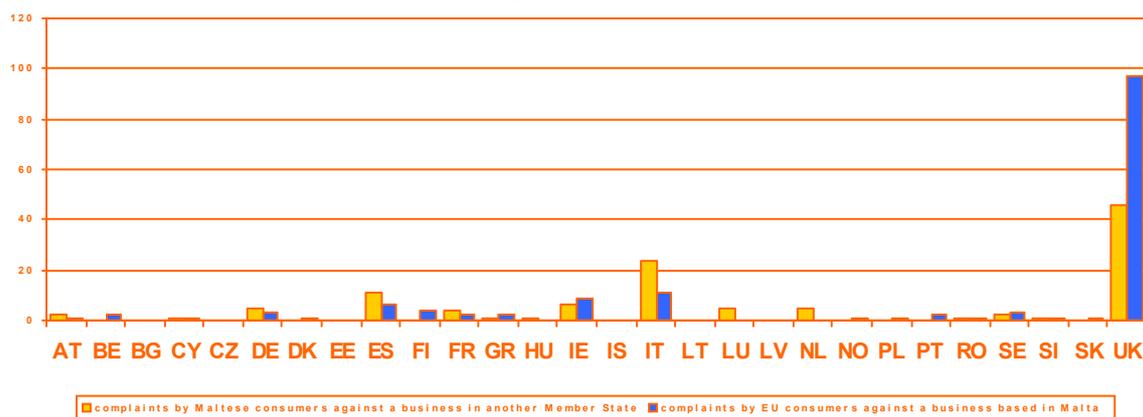
In its grant application, ECC Malta had also projected that it would handle 105 complaints throughout 2008. In actual fact, the ECC handled 149 complaints from EU consumers against businesses based in Malta and 115 complaints by Maltese consumers against businesses based in other EU Member States, thereby processing a total of 264 cross border complaints.

ECC Malta was directly involved in the handling of 173 of these cases either exclusively or in conjunction with another ECC. In the other 91 cases, ECC Malta was informed of the problem by the ECC receiving the complaint against a Maltese business.

Complaints involving Maltese consumers and businesses



Complaints by country



Alternative Dispute Resolution

At present there are no notified ADR bodies in Malta. The ECC met the Malta Arbitration Centre, the Malta Mediation Centre and the Malta Communications Authority (MCA) to encourage them to get notified as ADR bodies for the purposes of the ECC-Net. Copies of the Commission's recommendation on out-of-court settlement bodies were provided to the centres.

Both centres showed interest in getting notified and agreed to discuss the matter with their respective boards and ECC Malta is feedback. The MCA also provided feedback on the issue.

Networking and Feedback

Joint research projects

Another task the ECC performs as a network is that of identifying areas of interest to consumers where joint research projects can be conducted. These projects offer a very useful European dimension, particularly when ECCs from all Member States participate. In 2008, ECC Malta participated in three joint projects.

The first project was on tourism which started in 2007 and continued during 2008 with the development of a set of information leaflets on various aspects of tourism. These sets were then tailor-made by each participating ECC to reflect the laws, procedures and customs of the respective Member States. In this regard, ECC Malta drafted seven leaflets which will be made available both online and in the form of a booklet.

The second project the ECC participated in was on e-commerce where a joint report entitled *The European online marketplace* was released in June. This report is also available on the ECC Malta website.

The third project was related to a joint research project on Alternative Dispute Resolution. ECC Malta has already submitted the necessary information to the project working group and the report should be released in 2009.

Meetings of the Network, Cooperation days, etc.

A fundamental prerequisite in working effectively as a network is to regularly meet and discuss, with colleagues from other centres, the nature of the different difficulties that arise, good practices and other areas of interest. This is essential for the development of the individual centres and the network in its entirety. For this reason, quarterly network meetings are held in Brussels at which ECC Malta attended in 2008.

Another important annual event is Co-operation Day where all ECCs meet in a previously agreed member state and hold two workshops, one for directors and the other for case handlers. This meeting is relatively informal and very useful for ECC staff from all the centres in order to build good working relationships considering that the main area of work is that of sharing cases. In 2008, ECC Malta participated in this event which was held in France.

In order to enhance further co-operation with other centres and gain knowledge and experience, an ECC staff member participated in a study visit in Italy. The Italian ECC was chosen due to the fact that it is one of the centres with which ECC Malta shares most cases. An agreement has also been reached with the UK ECC for a staff exchange which is envisaged to take place in 2009.

Consultations at EU and national level

ECC Malta also has the task to participate in consultations and surveys and to deal with queries from the European Commission. The performance of the centre is assessed in relation to the timeliness and quality of the replies sent. During the year, the ECC received 83 requests from the Commission. These have also included EU-wide consultations on issues such as collective redress and harmonised case classification systems.

ECC Malta was also consulted by the Division on various topics such as the advertised prices of flights, audiovisual media services and collective redress amongst others.

COMPETITION DIRECTORATE

The Directorate, which is mainly composed of lawyers and economists, is, amongst others, responsible for handling complaints and carrying out *ex officio* investigations where it deems appropriate, regarding potential infringements of competition legislation. The Directorate advises the Director General regarding the exercise of his powers under the various laws and draws up reports and issues formal decisions on the basis of investigations conducted.

Since 1 May 2004, the Office for Fair Competition (OFC) was designated as the Maltese National Competition Authority in terms of EC Regulation 1/2003 and thus assumed the responsibility of investigating infringements of Articles 81 and 82 of the EC Treaty within the Maltese territory.

Complaints

A total of 21 cases are being investigated by the OFC, 12 of which are newly submitted complaints referring to alleged infringements of the Competition Act concerning, *inter alia* communications, the provision of services, insurance and others.

Investigations

Investigations carried out as a consequence of specific complaints concerned primarily the following markets: concerted practices (Art. 5 infringements): port services, retail and abuse of dominance (Art. 9 infringements): port services; access to essential facility, communications, energy, refusal to supply - spare parts and foodstuffs, transport, insurance, examined under both Art. 5 and Art. 9: broadcasting, insurance.

In terms of Article 15 (3) of the Competition Act (Cap. 379), the OFC also submitted a request to issue an interim measure on behalf of two undertakings involved in the provision of Internet services to the Commission for Fair Trading. The request follows an allegation of margin squeeze by another undertaking, which allegation the office is currently investigating.

Decisions

During 2008, the Office for Fair Competition delivered three decisions. These decisions concerned provision of ticketing services; provision of spare parts and the grant of TV licence. Three complaints, mainly in the communications and pet sectors were dismissed as complainants did not substantiate their allegations. Furthermore, after the necessary investigations were conducted and the results thereof examined, a complaint in the retailing sector, whereby it was alleged that an undertaking was conducting predatory pricing, was also dismissed.

Alternative Means of Resolving Competition Matters

As a result of its commitment to identify new tools to solve disputes and solutions, the Office introduced an alternative approach to resolve complaints. Locally, in the sphere of competition law, this is an innovative method and it is firmly believed that it is an effective alternative tool in the resolution of disputes within the business community and also in the promotion of the smooth functioning of the market. This system is advantageous to all parties because disputes are settled using a fast track approach.

In at least two circumstances the office managed to bring about a reduction in prices in a number of feeding stuffs, after it was demonstrated that at an international level the prices of cereals were on a downward trend. Furthermore, this approach was also adopted to bring about a reduction in the price of flour. Related to this market, an issue on refusal to supply was also positively resolved.

Therefore adopting alternative means of Commercial Dispute Resolution would result in further efficiency.

Concentrations

LN 294 of 2002 (Control of Concentrations Regulations) requires that in specific circumstances undertakings are to notify the office and, if the proposed Concentration does not present any competition law concerns, the Office grants its permission for the business transaction to go ahead. The Office gives its consent after conducting an analysis on the effects of such a transaction on the relevant market. Therefore, very often, businesses contemplating such a venture request pre-notification meetings with officials of the

Directorate for their advice. In this respect the office conducted meetings and drew up reports, where appropriate, covering the following areas: gaming; foodstuffs; leisure industry; communications; banking.

Furthermore the OFC issued two decisions. As to the acquisition in the leisure industry, the OFC after carrying out the necessary publications and holding the necessary meetings with several concerned parties, found that, even on the narrowest relevant market, the aggregated share in terms of volume did not give rise to any concern. For these reasons, the Director of the OFC, decided that although the Concentration fell within the scope of the Regulations, the Concentration did not raise serious doubts about its lawfulness and declared it to be a lawful Concentration. With regard to the acquisition in the gaming sector, the OFC held meetings with several stakeholders and applied the simplified procedure in terms of regulation 12(1)(ii) of the Regulations since the Concentration did not raise serious doubts about its lawfulness and declared it to be a lawful Concentration.

This area is now being monitored through the introduction of new procedures. All EU documentation sent to the OFC over the past years was classified, particularly that material stored on CD, and this has now become an established internal procedure. This documentation, which is the official notification done at EU level, is continuously monitored. This monitoring will eventually permit the Directorate to examine which sectors are most affected by these notifications. Track is being kept of merger notifications sent by other European Competition Authorities. The Office has also been following the proceedings within the ICN Merger Working Group, especially since this group is devising guidelines on various areas such as competitive effects, unilateral effects and co-ordinated effects.

Market Studies

The Office for Fair Competition also actively investigates markets that do not appear to be in conformity with the Competition Act. Market studies were conducted not only as a result of complaints but also on an *ex officio* basis where the OFC suspected that in a specific market, after a *prima facie* assessment, there may be the possibility of a market failure. In this respect, the Directorate conducted a series of sectoral inquiries in a number of markets such as: cereals; school uniforms, books and stationery.

The above studies have been concluded. However other ongoing studies are related to the following sectors: transport (mini vans; coaches; funeral motor hearses), and communications.

With particular reference to the communications market, a way forward has been decided following consultation with all operators in the market with a view to identify competition concerns. It was agreed that the major part of the concerns are basically being analysed through cases. It was also felt that where appropriate the scope of a specific market study may be widened to incorporate such concerns. In this respect, and in the context of the Office's commitment to this area, it held meetings with the Malta Communications Authority (MCA) to discuss certain queries emanating from the report which were also the concerns raised by the market players. Discussions were also held with the MCA following the conclusion of their reports, including a report on Wholesale Market Access in the broadband market, a report on Wholesale Broadcasting Transmission Services Market and a report on Wholesale Voice Call Termination on Individual Mobile Networks Market.

Analysis on Specific Issues

- *Professional Services* - The European Commission has taken the initiative to examine whether the current regulation of the sector, often set by national governments, is the most efficient and least restrictive of competition, or whether better regulation, more adapted to the modern world, could help spur economic growth, and deliver better services and value for consumers, in line with the objectives set by the Lisbon Strategy. The Commission's work focuses on six professions: lawyers, notaries, accountants, architects, engineers and pharmacists. In this context the Directorate conducted its own assessment and formulated said assessment in a report which in turn has been circulated to the pertinent government entities for their

own independent evaluation. The Directorate held one-to-one meetings with the said entities, explaining the whole exercise with a view to obtaining a clearer picture for each sector.

- *Actions for Damages* - On 3 April, the Commission published for public consultation a White Paper and a Commission Staff Working Paper on Damages Actions for Breach of the EC antitrust rules. The White Paper suggests specific policy choices and measures that would help give all victims of infringements of EC competition law, access to effective redress mechanisms so that they can be fully compensated for the harm they suffered. The Directorate has drawn up a report on how this may be implemented in Malta and has already initiated discussions with the relevant entity to identify an appropriate way forward.
- *Review of Shipping Consortia Block Exemption* - The office met with the Malta International Shipping Council in the context of the review of the Shipping Consortia Block exemption. The purpose is to explore the Council's concern, if any, on the said review. Note was taken of the Council's position in view of the second Advisory Committee meeting on the subject scheduled to take place during the first half of 2009.
- *Leniency* - Cartels are normally horizontal agreements between two or more undertakings aimed at co-ordinating their behaviour on the market and/or influencing competition through practices such as the fixing of purchase or selling prices or other trading conditions, the allocation of production sales quotas, the sharing of markets including bid-rigging and restrictions of imports or exports. Such cartel agreements lead not only to increase in price and reduce consumer choice but also have negative impacts on relevant economic sectors through the restriction of competition, avoiding pressures that lead them to innovate, both in terms of product development and the introduction of more efficient production methods.

By their very nature, cartels are often difficult to detect, investigate and prohibit without the co-operation of undertakings or individuals implicated in them. Therefore, the Office considers that the introduction of a leniency programme for those undertakings which are willing to put an end to their participation in illegal practices and co-operate in the Office's investigation, independently of other parties to an agreement would be advantageous.

In this context the Office conducted its own independent research and this was reproduced in a report which aim is to eventually incorporate this within the framework of the Competition Act.

Advice Tendered

Tendering advice continues to be another important aspect of the work carried out by the Directorate. In 2008 the Directorate was approached on several occasions by government departments, local authorities, law and accountancy firms, businesses and individual consumers to tender advice on competition issues. Such advice is also tendered to foreign companies and law firms.

A number of undertakings contemplated the creation of a new company. They enquired whether this constituted a full function joint venture and whether this was notifiable. The elements of full functionality, sufficient resources to operate independently on the market and the general requirements of notification were analysed.

Advice tendered mainly dealt with the following issues:

- Motor Vehicle Registration Tax;
- Privatisation of yacht marinas which are currently administered by the Malta Maritime Authority;
- Provision of photocopying services;
- Intellectual Property;
- Review of agreement in the context of a rent agreement.

Cases before the Commission for Fair Trading (CFT)

Another function of the Directorate is to represent the OFC in cases before the CFT when it is called upon to review a complaint by an undertaking generally following a decision taken by the Director of the OFC. The cases followed and in the main concluded concerned the following sectors: transport; communications; television; marine services.

National Reform Programme

The Directorate participated in meetings held with the European Commission to discuss the status of the Progress Report on the National Reform Programme, in particular, the outstanding issues regarding measures and specific issues with regard to assessment of progress achieved in the implementation of Lisbon objectives.

The European Commission had identified a number of areas as requiring further action, these being:

- strengthening of the Competition Authority;
- strengthening of competition in the professional services;
- issue of leniency.

Review of Reports

The Directorate was approached to express its position on various papers or working documents issued either within an EU framework or in the context of other organisations. During the year, the Directorate examined and expressed its opinion on the following:

- Internal Market Advisory Committee (IMAC) Working Group Report on Good Governance;
- A proposal for a Council Regulation on the Application of Article 81 (3) of the Treaty to Certain Categories of Agreements and Concerted Practices in the Air Transport Sector;
- Memorandum on COM (2008) 368 – Report on Competition policy 2008;
- EC-Korea Competition Agreement;
- The validity of an application by the Italian Government under Directive 2004/17/EC of the European Parliament and of the Council of the 21st March 2004 co-ordinating the procurement procedures of entities operating in the water, energy, transport and postal sectors.

Relations with Other Local Authorities/Organisations

Throughout the year the Directorate also conducted several meetings with various regulatory authorities and organisations both in the context of informative meetings which scope is to keep abreast with developments in specific markets and also in the context of specific complaints.

As regards to complaints, the Directorate conducted several meetings to examine specific complaints and determine the best placed authority to investigate such complaint. In this context meetings were held with the Malta Resources Authority (MRA).

Relations with other sectoral regulators were maintained. OFC officials had various discussions with the Malta Financial Services Authority (MFSA), Central Bank, MRA and MCA and discussed various matters of mutual interest. A Memorandum of Understanding has been signed with MFSA.

Relations with the European Commission and Other International Organisations

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

Towards the second half of 2008, the Directorate regularly attended meetings organised within the ECN framework. This participation was possible since in competition matters the OFC is the national competent authority within the framework of Regulation 1/2003. Such participation also offers the Directorate's officials the opportunity to enhance their knowledge on competition matters. Furthermore, this participation also permits the OFC to obtain any information on specific issues from other national competition authorities in other EU Member States and engage in discussions therein.

The Directorate's strengthening process has permitted to participate within ICN's structures and that of OECD.

Participation in Conferences

The Directorate kept up with its international commitments by participating at a number of meetings, conferences and activities organised by the EU Presidency, the European Competition Network, the International Competition Network and the OECD.

Questionnaires

The Directorate's participation in the international field is not limited to participation in meetings abroad but also by means of the various questionnaires covering a wide array of subjects. During the year, there was a marked increase in the number of questionnaires received over previous years. These covered topics such as state aid to broadcasting; the transposition of Single Market rules; enforcement of competition law in Member States; Report on Regulation 139/2004 (Merger Regulation); food and retail; implementing the internal market in electricity; and horizontal co-operation agreements.

Development of Internal Procedures

The importance of maintaining uniformity both in the conduct of an investigation and in its assessment is of paramount importance. A procedural manual in investigating complaints has been developed. Its compilation is based on existing legislation and it is envisaged that other internal procedures will be formulated and added to the procedural manual.

Papers/Briefing Memos/Research

- Prepared a number of memoranda and briefing notes on the following: training for the Directorate's staff, strengthening of the competition authority, food, transport, and trade.
- A review entitled Competition Policy in Malta: 2003 – 2008 has been drawn up to be published in the British Public Service Review.
- The Office prepared a report regarding Commission Regulation (EC) No. 1400/2002 on the application of Article 81 (3) of the Treaty to categories of vertical agreements and concerted practices in the motor vehicle sector i.e. the Motor Vehicle Block exemption. The report took into consideration the concerns by the International Federation of Automotive Aftermarket Distributors (FIGIEFA) and also the position taken by the various organisations and competition authorities of other Member States on the report published by the Commission in May 2008.
- A written contribution was also submitted during the Global Forum on Competition (February 2008) which dealt with the interaction and co-ordination of Consumer and Competition Policy.
- The Directorate also conducted research and provided the relative legal input to a report on Pharmaceutical Pricing Mechanisms in Malta *and in other EU Member States* (July 2008).
- In the context of modernising the Competition Act and in an effort to enhance the OFC's investigative arm, research was conducted and a policy was formulated on introducing measures to facilitate price transparency. This was also done in the context of the wider initiative which purpose is to strengthen the Division.

Seminar

As part of ongoing continuous professional development, an internal seminar was organised for officials within the Directorate. During the seminar, held with Professor Valentine Korah, several issues were discussed amongst which the following: effect on trade vis-à-vis small member states; telecommunications; excessive pricing; and parallel trade. The seminar proved to be quite productive and it is planned to hold such seminars on a regular basis. This will permit officials within the Directorate to obtain varied opinions from high profile persons in both competition law and economics.

Replies to Pre-infringement Proceedings Initiated by the EU Commission

The EC Commission examined the transposition into Maltese legislation of a number of EU Directives, namely: Directive 97/7/EC of the European Parliament and of the Council of 20 May 1997 on the protection of consumers in respect of distance contracts; Directive 93/13/EEC of 5 April 1993 on unfair terms in consumer contracts; and Directive 1999/44/EC on certain aspects of the sale of consumer goods and associated guarantees.

The Commission was of the opinion that although in general it was satisfied with the transposition exercise that was done, there were instances whereby transposition was somewhat dubious. In this context the Division was presented with a number of questions which purpose was to give Malta the opportunity to clarify its position. In this context the Directorate prepared three draft replies for three different sets of questions in the context of the above Directives representing Malta's reaction to the Commission's queries.

Other Matters

The Directorate was also involved in various other non-competition related matters. It was responsible for the drawing up of an agreement between the Ministry and the *Għaqda tal-Furnara* regarding increase in prices and subsidies. It co-operated with the Enforcement Directorate within CCD to ensure that after sales services are provided as per commercial guarantee provided by the trader. It provided legal assistance to the same Directorate to present its case before the court and provided legal advice on timeshare.

The Directorate also compiled all the necessary information which it deemed necessary to be included in CCD's revamped website. In the context of the provision of information by electronic means, the European Commission requested all Member States to submit information on chosen topics to be published on the *Your Europe* Portal. For some particular fact sheets the Commission had prepared the fact sheets itself but requested the office to verify whether the information included in these fact sheets was correct prior to translating and published on website.

Along with officials within the Office of the Director General, the Directorate is monitoring the discussion on a Proposal for a Directive of the European Parliament and the Council on Consumer Rights. If this proposal is carried forward, it will bring about a maximum harmonisation directive thereby revising the following Directives: 85/577/EEC on contracts negotiated away from business premises, 93/13/EEC on unfair terms in consumer contracts, 97/7/EC on distance contracts, 1999/44/EC on consumer sales and guarantees.

OPERATIONS DIRECTORATE

The main functions of the Directorate are to monitor the prices of medicines and verify whether the prices are fair and reasonable; and the prices of consumer products, mainly food items, in order to detect any possible collusive practice amongst traders to the detriment of the consumer. The Directorate is also entrusted with the disbursement of the subsidy to bakers.

Price of Medicines

The Medicines Prices Committee established in November 2006 with the objective of establishing a new system of new pricing for medicines, had reached an agreement on a mechanism on the pricing of medicines directed to ensure fair and reasonable consumer prices. In this regard, the Directorate performed a total of 424 inspections related to medicinal pricing and investigated 33 complaints lodged by consumers. Whilst during these inspections it was ensured that these prices were observed, in those cases where the consumers were overcharging the Directorate intervened to ensure that the difference in price was refunded.

Since the medicinals market is dynamic, records must be adjourned on a regular basis. In this regard, extensive research, investigations and inspections regarding the pricing of medicines is necessary and is conducted as described further on. This is also required to monitor prices as agreed in the above mentioned Committee.

Methodology of the Pricing Mechanism

The price of medicines sold on the market is compared with the average price which is calculated from the prices of those medicines forming the ‘basket’ of European countries. The ‘*reference countries*’ are categorised into low, medium and high priced bands with three countries, plus a reserve, in each band. To enable a calculation of the average price, the price of a medicinal from at least one country in each category is necessary. This was the agreed minimum requirement. The concept used is known as external (international) medicinal price averaging exercise and was adopted since it is also used in other European States, such as Cyprus, Norway, Italy and Spain. In these states, this reference method is utilised for price determination and reimbursement systems. This system is perceived as an innovative method which provides accuracy and fairness to the consumer benefit. The mechanism also provides impetus for a more pro-active approach in medicinal price monitoring.

The country selection and classification was based on: past experience (pre-EU accession) i.e. those countries from where Maltese traders used to import their supplies; the reference countries and categories of other MS; and availability of reliable data-bases of consumer prices in those countries.

The conduct of the pricing mechanism exercise is essentially divided into different phases as follows:

- Phase 1: Inspections of local pharmacies by Directorate officials and gathering and collation of data pertaining to medicines
- Phase 2: Analysis of the data and comparison of prices with those applied in the reference countries
- Phase 3: Communication with relevant importers in instances that require further investigation with a view to reaching agreement on price adjustments, where disparity in prices is not justified
- Phase 4: Subsequent inspections to verify that pricing adjustment has been carried out properly.

Over 350 medicines were checked and the prices of 93 medicines were found to be higher than the average. In 2008, 22 prices of Prescription Only Medicines (POM) were reduced. The decrease in the consumer price varied between 3% to 35%.

The Directorate drew up a report highlighting the pharmaceutical pricing mechanisms in Malta and the other EU Member States.

Market Analysis

The Operations Directorate carried out monthly inspections in 12 supermarkets to monitor price trends of 330 consumer products which are considered to be market leaders in their sector. 122 inspections were carried out and any increase in prices was investigated, with the aim of verifying whether the increase in price was the result of imported inflation or a decrease in the discount offered by the supermarket.

The Directorate established communication links with other European organisations in order to obtain information on prices, together with official data that are available on the Internet. The commodity prices on the international market were also monitored with particular attention to wheat, crude oil and coffee. This enabled the Division to be proactive and to anticipate fluctuations in prices. Prices tend to increase at a fast rate in response to international price increase however the reverse does not always apply when the prices revert back to normal levels. Thus the Directorate had to be on alert so that it can detect any uncompetitive behaviour.

Apart from the actual consumer price, the Directorate also monitors the recommended retail prices. This is carried out in order to ensure that supermarkets do not mislead consumers by increasing the latter and hence give the impression that consumers are being offered a higher discount than in actual case.

From an analysis of recorded prices, it was concluded that some products were cheaper in one supermarket whilst other products were cheaper in other supermarkets. It has been noted that this behaviour was also noticed in the UK market. This makes it harder for customers to identify which supermarket is actually giving the best price deals. In this regard, the Directorate is attempting to ensure that any claimed recommended retail price by the importer/manufacture is consistent across Malta. This will eventually help consumers to evaluate the discounted prices prior to their purchases from the respective retail outlets.

Product Safety

On 1 February 2008, the enforcement of the Product Safety Act was transferred to the Malta Standards Authority (MSA) by virtue of Legal Notice 33 of 2008.

In the Directorate's endeavour to ensure a smooth transfer of responsibilities, the Directorate continued to investigate 22 cases related to product safety in the first quarter of the year. The Directorate was notified by the European Commission, through the RAPEX system, about dangerous products found in Member States and inspections were carried out to verify whether these products were placed on the local market. Steps were taken to ensure that corrective action on 21 products was taken by the importer to bring the products in line with the applicable safety requirements. In one instance, the importer withdrew the product from the local market since it was not possible to bring it in line with safety requirements.

The Directorate also ordered the destruction of 1,440 safety helmets which were found to be non-compliant with the relative safety requirements.

The Directorate had embarked on a project concerning the dissemination of information on the Indication by Labelling and Standard Product Information of the Consumption of Energy and other Resources by Household Appliances Regulations. In this respect, meetings were carried out with the respective importers during which the provisions of these regulations were explained.

Dolceta Website

The Directorate participated in one of the modules forming part of the Dolceta project, funded by DG Sanco and co-ordinated by the European Universities Continued Education Network (EUCEN). The aim of the project is for the creation a website enhancing online consumer education thereby containing interactive tools for teachers, trainers and adult educators in various educational institutions, government bodies with consumer responsibilities, consumer associations and similar organisations.

In this regard, the Directorate's experience acquired over the span of over seven years through the enforcement of Product Safety legislation, proved to be beneficial and this also permitted a proactive participation in a number of meetings held in Brussels, Lille and Talinn.

The Directorate developed over 150 pages for module 3 dedicated to Product Safety. The aim of the Directorate was to utilise this module to serve as an educational tool for both the consumer and trader.

Through this module, the consumer would know what to look for before purchasing a product while the trader would know beforehand what steps should be taken in order to ensure that safe products are always placed on the market. Additionally, this should also help consumers and traders to understand the various areas of product safety and related market surveillance and enforcement.

An evaluation meeting of Module 3 and 4 was held in Tallinn, Estonia on 5 November 2008.

Bakers' Subsidy

As a result of the increase in prices of wheat and fuel on the international market, Government continued to compensate the bakers for such increases in the production costs. During this year, the Directorate issued 1,645 cheques amounting to €1,839,765 to 144 bakers. Sixty-eight meetings were held with bakers as part of its ongoing monitoring to ensure that the system is not abused. This year's subsidies started to be issued at three different rates depending on the type of fuel used by bakers for oven heating. Bakers using Light Heating Oil (LHO) were given the highest rate of subsidy due to the high increase in cost of this type of fuel. In order to calculate the amount due to each baker, an exercise was undertaken, which involved visits to all bakeries that claimed to be using LHO. During the visits, the burners and LHO tanks were inspected and their details recorded, including the consumption rate of fuel. Documentary evidence was verified to ensure that the type of fuel claimed was actually being used.

Following agreement reached between the Bakers Union and the Ministry, a grant scheme was launched during the second half of this year to encourage bakers to use more environment-friendly fuels. Bakers were offered a one-time grant of up to €5,000 if they were to opt to convert their heating systems from Light Heating Oil to Gas. On-site inspections were carried out at 49 bakeries using this type of oil by an official from this Directorate, Enemalta experts and a MEPA environmental representative. A report was drawn up identifying the bakeries recommended for conversion to gas, detailing the required changes and general specifications for the installation. The bakers were notified of the outcome of the inspections and those whose bakeries were identified for conversion were formally invited to take the necessary steps in order to lodge an application with the relative authorities.

In December, inspections were carried out in a selected number of bakeries, in Malta and Gozo, to gather the prices of all the range of bread products sold. This should enable the Directorate to compare the prices once the market is liberalised as from January 2009.

ENFORCEMENT DIRECTORATE

Price Indication Regulations

Under the Price Indication Regulations (LN 283/2002) which emanate from the Consumer Affairs Act (Cap. 378), the Directorate is responsible for the enforcement of these regulations. Therefore in this context frequent inspections are carried out to ensure that the indication of the prices at which goods are offered for sale to the consumers are clearly legible, unambiguous, easily identifiable and inclusive of VAT and any additional taxes.

Inspections

During the year, the Directorate carried out around 25,609 inspections in various retail outlets, out of which 25,009 were compliant. 600 outlets were initially identified as not being compliant and were given the opportunity to regularise their position.

Surveillance for appropriate price indication on goods offered for sale to consumers was also carried out in open air markets in various localities. Inspections carried out by category are shown in the following table:

Category	Number of Inspections	Compliant	Non-Compliant
Retail Outlets	22,297	21,908	389
Vegetable Hawkers	840	709	131
Open Air Markets	2,472	2,392	80

Eventually 18 Compliance Orders were issued to those outlets which did not conform to the regulations.

Price Survey

The Directorate continued to monitor approximately 4,000 items from supermarkets, butchers, restaurants and kiosks. The purpose of this exercise is to identify and analyse price variations in a number of localities. The brand names selected for pricing were determined according to a volume seller basis. The information gathered is based on a list of fast moving items which included the following categories: soft drinks, beers, wine, tinned food, tea, coffee, sauces, pasta, rice, baby food, cereals, oils and butter, fresh dairy products, frozen and chilled meat, frozen foods, sugar, sweets and snacks, detergents and toiletries.

Prices of the following number of commodities were monitored on a monthly basis from the following establishments.

12 Supermarkets	227 fixed commodities
27 Butchers	28 fixed items
67 Restaurants	monitoring 646 items
18 Kiosks	monitoring 347 products

Monitoring of Corner Shops

During the period covered by the report, the Directorate continued with the monitoring of prices in corner shops. A total of 47 shops were selected with an average of 100 products per shop. Corner shops were monitored during the second and third week of each month.

Price Stability Agreements

The Directorate inspected eight discount stores and 126 fixed commodities. Inspections revealed that some outlets were quoting recommended retail prices that were different from those agreed upon by importers in the Stability Price Agreement. During the first three months, around 100 warning letters were sent to a number of supermarkets and discount stores. In three supermarkets, it was concluded that the way prices were displayed was misleading to the consumer, giving the impression of substantial discounts.

To address this, the Directorate instructed these establishments to refrain from using such practices. Eventually the establishments concerned remedied the situation.

Dual Display and Euro Pricing Regulations – Enforcement

The Smoothing of Monetary Amounts Regulations, 2007 (LN 369/2007) came into force at the end of 2007. The Directorate did not receive any *Directions* in terms of LN 04/2007 (Dual Display and Euro Pricing) and LN 369/2007 from NECC, during the period covered by the report. This ceased to be in force in June 2008.

Co-ordination with other Authorities

An investigation was initiated in July, following an allegation by a leading importer that traders may not be following labelling regulations. Although not within the Division's remit, the Directorate assisted in investigating a total of 232 shops. Subsequently reports were compiled and sent to Malta Standards Authority (MSA), indicating the outlets along with the products which officials of the Directorate suspected were being sold with incorrect labelling.

Monitoring Brown/White goods/Commercial Guarantees

In June the Directorate carried out a series of inspections to monitor prices of white/brown goods in order to check whether trade fair discounts were in fact being offered to the consumer. Apart from broadening the Directorate's in this area, the identified goods continued to be monitored to note any price fluctuations.

Complaints

During 2008, the Directorate investigated 166 consumer complaints lodged with the Division. These mainly concerned, amongst others, an alleged breach of the Consumer Affairs Act (Price Indication) Regulations, 2002. Ninety-seven of the complaints referred to price indication (of which in one case legal proceedings were initiated), thirty-three cases indicated an abuse on misleading prices (of which in one case legal proceedings were initiated) one case was referred to NECC, six cases were referred to MSA, three were referred to VAT and twenty-six required no further action.

Court Case

During 2008 legal proceedings were initiated against 18 commercial establishments for having violated the Price Indication Regulations.

Investigating for possible Unfair Commercial Practices in Supermarkets

The Directorate took the initiative to address particular forms of what are by law considered to be as unfair commercial practices, that is, those whereby prices on the shelf possibly did not correspond with the price at the point of sale in supermarkets. A total of eight supermarkets were selected covering various localities. A basket of 25 items per supermarket was selected and their shelf price was compared with that at the point of sale. From the investigation it resulted that out of 200 items only 9 were identified as possibly infringing the law. In these instances the incorrect pricing was the result of genuine mistakes. Indeed it was determined that in some cases the pricing error was in favour of the consumer.

Prices of Solar Water Heaters

Following the various measures mentioned during the budget speech, the Directorate took the initiative to monitor the market of Solar Water Heaters. The objective was to ensure that there is no abuse of this measure. A total of 61 importers/traders were inspected. The Malta Resources Authority (MRA) was also requested to forward a list of all solar water heaters sold during the year and which were submitted to the MRA for a rebate. The prices on this list were then compared to the prices retrieved from visits made to importers. The increases resulting from this comparison were found to be justified. This exercise was carried out jointly with the Operations Directorate.

Pricing of advertised flights and package tours

An extensive audit was carried out during the year on promotional material related to travel in local newspapers. The audit was carried out on a monthly basis in order to identify for any misleading adverts. A total of 260 letters were sent to travel agents for non-observance of the legislation. A total of 12 Compliance Orders were delivered to defaulting travel agents. Following this audit, the number of misleading adverts was reduced dramatically as can be seen from the following table which shows that non-observance of the Regulations fell sharply from 81% in February to 2% in December.

Degree of Compliance by Traders to Price Indication Regulations for Feb – Dec 2008

Month	Tax Values incl. Separately	Pre Tax price only	Final Price incl. Tax	Price with no indication of Tax	Price (not incl. Cost of flight)	%
February	126	444	-	105	-	81
March	73	381	13	31	65	73
April	13	591	34	140	127	81
May	70	453	204	33	61	35
June	114	412	209	35	63	54
July	45	347	283	8	65	47
August	86	26	277	4	78	6
September	35	13	225	4	60	5
October	4	7	510	14	139	3
November	0	5	471	16	118	3
December	0	1	407	11	78	2

Exercise on the Monitoring of January Sales – 2009

The Directorate drew up a surveillance plan, in the clothing sector, to enable it to monitor the January 2009 sales. A total of 70 shops were selected, to allow for the monitoring of: discounted prices; clear price indications; and the conditions of sale under which the item is sold.

CONSUMER AFFAIRS DIRECTORATE

Consumer Complaints

Mediation, as stipulated by Section 23 (4) (a) of the Consumer Affairs Act, was initiated on 1,587 formal complaints which had been registered with this Division, out of which 58 had been brought forward as complaints which had still not been dealt with in 2007. By the end of the year, 1,645 complaints were dealt with and were concluded as follows: (i) mediation was successful in 460 cases; (ii) 304 cases were either withdrawn or else not followed up by complainants; (iii) no amicable settlement was reached in 699 cases and complainants opted to proceed with their complaint in front of the Consumer Claims Tribunal as provided for by Section 23 (4) (b) of the legislation. 84 decisions taken by the arbiter were honoured; 60 were not and following appropriate action from the Directorate, an additional 24 decided to honour the decision of the tribunal and for the rest the Directorate is taking the necessary legal action. At the end of the year, there were 118 cases that were still pending and therefore were carried forward to 2008.

An EU Proposal for a New Directive on Consumer Rights

In October a study on an EU proposal for a new Directive on Consumer Rights was undertaken to assess its implications on local legislation. This is a maximum harmonisation directive which brings together four directives, these being Sale of consumer goods and guarantees (99/44/EC); Unfair Contract Terms (93/13/EC); Distance Selling (97/7/EC) and Doorstep Selling (85/577/EC). The study included the formulation of a comparative table drawn up to enable a legal and policy assessment. Eventually, upon conclusion of this exercise a series of external consultations were held. Two presentations were also given to explain this new directive to all stakeholders. Stakeholders were also given the opportunity to make submissions on this proposal. These in turn were analysed and evaluated. The Division also participated in EU meetings with regard to this new directive.

Information Campaign

During 2008, the Directorate continued with its information campaign educating the general public and businesses on consumer rights to enable them to take informed decisions.

In this context, during 2008, the Directorate was involved on two fronts; on one hand it was responsible for the European Commission's campaign on consumer rights; on the other it continued with its own educational campaign which was mainly carried out through radio and television programmes. Indeed during 2008, the Directorate participated in a variety of programmes on a number of television and radio stations, approximately 89 TV slots and 208 radio programmes.

The Directorate's information campaign was also supported with regular contributions in the printed media. In total the Directorate drew up some 90 articles.

Training/Meetings Attended Abroad

The Directorate continued with its ongoing policy to train its information officers. In this context one officer attended a seminar on Measuring Customer Satisfaction in Maastricht, Netherlands and another Best Practices Workshops organised by ICPEN in Paris and prepared a report about it.

In the meantime the Directorate continued with its participation in meetings of various working groups and other initiatives. The following is a list of meetings attended by the Directorate:

- CPC Communicators' Network;
- Unfair Commercial Practices Directive Working Group;
- Sweeps – Preparatory Meeting, Consumer Protection Co-operation Committee;
- Consumers' Financial Programme Programme;
- Consumer Protection Co-operation (CPC) Training;
- Europa Diary Partners;
- (EIPA) Measuring Customer Satisfaction;
- Delivering for Tomorrow's European Consumers Conference;
- ICPEN Best Practices Workshops;
- European Consumer Day

School Talks

Talks on consumer rights based on the Consumer Affairs Act, with emphasis on legislation concerning the sale of goods and the eight basic consumer rights, were carried out in primary and secondary schools scattered throughout Malta and Gozo. A total of 63 schools talks were delivered to primary and secondary school classes throughout 2008.

Power point presentations and information material were used to achieve the best possible dissemination of information regarding the subject. Some 300 copies of the Europa Diary and Teachers Guide were distributed to head teachers to further students' awareness regarding consumer protection.

MIREILLE VELLA

Director General (Consumer & Competition)

Government Property Division

Directorate General

INTRODUCTION

The Government Property Division (GPD) forms part of the portfolio of the Ministry of Finance, the Economy and Investment and is responsible for the management of Government's immovable estate.

The mission of the GPD is to promote and maintain the highest and best use of Government's immovable estate and to ensure an equitable process for the acquisition of property that may be required for public purpose.

The GPD incorporates the Land Department, the Estate Management Department and the Joint Office. Whereas each of the three departments has precise objectives to achieve within a specific remit, the GPD acts as the co-ordinator of all operations whilst ensuring smooth management through the provision of the necessary financial and administrative support.

FINANCE & ADMINISTRATION – 2008 DEVELOPMENTS

Quality Service Charter

The GPD is continuously striving to further strengthen its commitment to provide the best possible service to its clients within the ambit of the relevant laws and policies. In this respect, the quality service charter that was initially launched within the Division is being reviewed now that the Joint Office has moved to new premises in the vicinity of the Auberge de Bavière. The objective is to incorporate standards following the amalgamation of the Customer Care and the Registry for the whole of the Division. The main objective of the charter is to provide a brief overview of all legislation and policies that regulate GPD operations and to highlight the quality of the services and standards offered within set timeframes in order to raise the standards of the services given to the general public. The QSC is acting as a driving force for all staff members to further strengthen their commitment to carry out their responsibilities in a thorough and friendly manner.

Euro Changeover in the Public Sector

Following the implementation of the GPD Action Plan that included IT compliance of existing databases and training of staff, a smooth step-by-step transition to the euro was registered. Cash float requirements were adequately catered for in both offices in Malta and Gozo. Feedback was continuously provided during the initial weeks and months. As a revenue-earning Division, it was ensured that the changeover process translated into a smooth transition in compliance with official guidelines. The work of the GPD was recognised as an example of best practice. This was as a result of the co-operation and collaboration of all officers concerned who made possible the smooth transition process.

Rehabilitation Works

- *Office of the Parliamentary Secretary.* The ex-Customer Care Office was refurbished to house the office of the newly-appointed Parliamentary Secretary. Available furniture was renovated whilst IT and telephone facilities, including repeaters for improvement of mobile telephony signal, were upgraded.

- *Auberge de Bavière*. Works on the intermediate floor, in the west wing of the Auberge, have been finalised with the exception of the staircase leading to the upper level, as the said staircase will be fitted after the paving works are finalised. Electrical installation is operational. Paving works are due to start in January 2009. Air conditioning works are to be completed in January 2009. All internal rooms have been cleaned and pointed and work continues on the pointing of the rooms where electrical and air conditioning works have been finalised. Timber doors and windows have been restored and are ready to be refitted. The tender for the network infrastructure for the west wing of the Auberge has been adjudicated and contract for works to be carried out is to be signed in January 2009.
- *Electrical Substation Equipment Platform*. The electricity substation civil engineering works are in advanced stage and will be finished in January 2009.
- *Joint Office*. Work on a passenger lift at the GPD Annexe that houses the Joint Office is under way in order to make the three-storey building more accessible to both staff and clients. Following collaborative work with the Works Division, a request for a permit to install the lift has been submitted to MEPA. In the meantime, arrangements have been made to offer services to clients with mobility impairment on the ground floor. A sign has been fixed to the façade of the Joint Office building whilst a press release was issued to inform the general public. Moreover, a ramp is being constructed to facilitate access through the front door of the building.

Notte Bianca

Auberge de Bavière

Following a decision taken to include the Auberge de Bavière as one of the venues worth visiting during *Notte Bianca*, a plan of action was devised in preparation for this event. Works included the upgrading of the courtyard, which consisted of pointing of all mortar joints, removal of redundant rain water and drain pipes, fabrication and installation of a water fountain for drinking water and a decorative water feature, the scraping and pointing of part of the basement and front door accessibility to the Auberge for visitors with mobility impairment as well as the organisation of activities for the occasion. The many visitors, who called at the Auberge on the night of 4 October, could appreciate the beauty of this magnificent building, its history, some of the historical property records held in its archives and the extensive work carried out by the Government Property Division in the management of government property.

The GPD staff also facilitated the putting up of two exhibitions in the hallways surrounding the courtyard: a photo exhibition of Valletta past and present and an exhibition on the production of the Maltese loaf. The *Notte Bianca* was further enhanced by an evening of Maltese musico/literary activities in the Auberge's beautiful courtyard. These cultural activities were partially sponsored by the GPD.

Furthermore, following the success of this event, the Malta Council for Culture and Arts has, after consultation with the GPD, included the Auberge de Bavière in the programme of cultural visits that are regularly organised for the general public. The first event is planned for Sunday 8 February 2009.

Valletta Market

As administrators of the Valletta Market in Merchant Street, the GPD collaborated with *Notte Bianca* organisers in preparation for the use of the market in the festivities of 4 October 2008. Minor works were urgently carried out to meet the deadline whilst every effort was made to facilitate the process for the organisers. In fact, on the night in question, the market came alive with the activities under way and was a pleasure to visit for many Maltese and foreign visitors.

Logo Competition

A logo competition for the GPD was organised among all members of staff on the occasion of the *Notte Bianca*. The six submissions were exhibited on the notice board and staff voted for the logo of their choice.

Certificates of participation were distributed to participants. It is envisaged that the official launching of the logo will take place in 2009.

Information Technology

- In January 2008, work to migrate GPD applications to achieve euro compliance continued. By the end of September 2008 all dual displays were removed from GPD applications.
- The smooth migration of the Land Cheque Printing System took place in January 2008. Enhancements to this system continued during this year and will be finalised by end of February 2009.
- Issues arising following the successful amalgamation of the Joint Office Docreg System with that at the GPD's head office at the Auberge de Bavière were settled by end of February 2008.
- Discussions and User Acceptance Testing with MITTS to enhance the Map Scanning Tenements and Acquisitions are still taking place.
- With the change of GPD's portfolio from MJHA to MFEI, letterheads, together with other relevant documentation, were updated and where necessary e-mailed to all GPD staff together with installation instructions. The GPD users in the Ms Outlook Global address were transferred under the MFEI (GPD Group) and all incorrect GPD users' information in email accounts was amended.
- The GPD website including the e-rent section was updated, followed by testing prior to their transfer on the live environment. The development in the e-rent section relating to the GPD CVV2 Card payment validation technique was implemented in October after testing.
- A webpage on the new Freephone service 1577 has been developed by MITTS on the GPD website. This page, giving information on the service, was launched on 9 December 2008 with the aim of controlling the abuse of government property.
- The Port Locking exercise to ensure security and avoid any viruses in the network took place in April.
- Enhancements on the Land Management System (LMS) are being carried out to implement the system at the GPD Gozo office for acceptance of payments of rent on Government-owned property in Gozo. Access to the Local Councils Rent Payment System (LCRPS) will also be granted to issue receipts of payments for rent on Government-owned property settled at Gozo Local Councils.
- The project to extend the rent billing service, the payment of rent at local councils' service, as well as the e-rent service to ex-church properties registered in the JOPD by migrating JOPD data to GPD's LMS will continue in 2009.
- The EMA project which consists of the consolidation of GPD with MITTS and decommissioning of servers from GPD data centre is underway. Meetings and testing on GPD applications will continue in 2009.
- Hardware procurement in co-ordination with MFEI as well as software installations and systems maintenance and support to GPD users has been continual.

Human Resources

In spite of the capacity building exercises that were undertaken in 2007 and 2008, GPD staff complement continues to decrease from year to year. In fact, the total of 156 officers (December 2004) went down to 131 (December 2008).

Training Programme

The GPD embarked on an in-house training programme to upgrade the knowledge of staff members and to facilitate the integration of new members. To date, 11 training courses were organised each attended by approximately 50 participants hailing from the four departments of the GPD. Data protection courses were also held in collaboration with SDO for all GPD staff.

Customer Care

On a daily basis, the Customer Care Section deals with an average of 35 clients who call personally for assistance at the GPD. Incoming telephone calls are incessant particularly in the morning and calculated at approx 60 calls per day, whilst on average, 5 e-mail queries are answered daily. Many of these requests for assistance entail follow-up action and research in the relevant files.

Registry

The amalgamation of the Joint Office Registry with that of the GPD has made possible better co-ordination of work and communication within the Division. However, these processes are somewhat negatively affected due to a dearth of minor staff. In 2008, 10,170 incoming letters were registered for which an acknowledgement was issued on same day. 22,825 letters were inserted in respective files whilst 2,443 new files were created when necessary. The number of file movements rose to 240,406 indicative of the considerable work that goes on within the GPD on a daily basis.

Gozo Branch

For the convenience of Gozo residents, the GPD continues to provide personalised service to clients through its branch in Gozo where rents, ground rents, and *qbiela* may be paid. The Gozo office also provides customer care services.

Financial Matters

Funds allocated to the GPD under the Budget Estimates are managed with care and due diligence. All reporting is done on a regular basis including accrual accounting reports. Besides the day-to-day running expenses, the Accounts Section settled all bills related to court registry fees, research, land registration, contracts, electricity and water supply (value of €122,656), burthens (221 in number), refunds of overpaid ground rent and enforcement works (value of €92,480).

In order to be in a position to manage more efficiently water and electricity bills of common parts of government-owned blocks of flats and other vacant government-owned premises, a database has been created with regard to blocks of flats and kept regularly updated. Moreover, the GPD administers 221 burthens that are due to various entities. In order to get an overview and plan better their management, a database has been created that should help to facilitate the streamlining of this process.

Health and Safety

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

Green Initiatives

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

PAUL MIRUZZI

Director General (Government Property)

Government Property Division Estate Management Department

DEPARTMENTAL OVERVIEW

The role of the Estate Management Department (EMD) is to help the Government Property Division 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's property records is a fundamental task carried out by the EMD. The Department maintains a number of map-based property datasets each depicting particular aspects of the property inventory ranging from datasets showing ex-British Services property, to property that has been declared required for a public purpose under the Land Acquisition (Public Purposes) Ordinance and property that has been leased or otherwise transferred to third parties. The EMD also maintains several thousands deed packets containing contractual documents related to property source and status. A computerised database of property is also kept that keeps track of general lease conditions. The data kept by EMD does not include property that was transferred to the State by the Church/State Agreement of 1991 since such records are held by the Joint Office. In this context, EMD has however identified and drawn up an internal procedure to allow the gradual transfer of ex-church property records under its fold so as to better enable the provision of client services that are not available at Joint Office such as computerised rent-billing and payment.

During 2008 the EMD carried no less than 5,000 property inventory updates ranging from updating of data fields, creation of new GIS parcels, sub-divisions of land and changes in property status. A process of staff recruitment was also initiated to ensure that much needed consolidation of information may be initiated during 2009.

Property Information Requests

As with any business, information in property management is king since it underpins the very basis of action taken. In this context the databases maintained by EMD provide useful decision-making information in relation to Government's property management activities both regarding major property-based development projects (such as Grand Harbour Regeneration, privatisation of Enemalta's gas operations) as well as such other activities as housing projects, road infrastructure, public gardens and sale and leasing of property.

As in past years, during 2008, the EMD was the source of important property related information to a varied list of clients that ranged from private individuals and companies, to government ministries, departments, agencies and authorities. By way of example, the Housing Authority's ability to sell residential property under its various Home Ownership schemes is dependent upon information provided to

it by the EMD. Likewise Government's actions towards enforcing the proper use of government-owned property can only be initiated after the EMD's Property Terrier Unit has provided all relevant details on the property.

In 2008, the EMD handled over 4,800 requests for property information, apart from carrying 580 property inspections to confirm on-site status and drawing up 190 property status reports.

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 property drawings and plans. This system also interfaces with specific off-the-shelf computer aided design software to facilitate layout drawings. During 2008, the EMD put up a total of 710 property drawings in connection with leases, sales and permits over government-owned property. In addition, nearly 11,000 copies of plans were provided by the GPD in relation to such matters as parliamentary resolutions, land registrations, tenders etc. In addition to the above some 550 property information plans, depicting general and detailed information on government property registrations and ownership/disposal status were also drawn up to facilitate data interpretation as well as enable a historical snapshot of property.

Protecting Government's Title to Property

Malta's land registration law enables property owners to lay claims for their ownership by registering the land under the Land Registration Act. By doing so, owners would be provided with a certificate of title that may then serve as a single proof of ownership of the property without the necessity to have laborious property research undertaken. Under the said law, the first person to register a title may obtain a pre-emptive advantage over subsequent pretenders who will need to provide proof of a stronger title to the property. Technically this may give rise to situations where, should sufficient time elapse, Government may lose its claim over a property that has been registered by third parties.

To avoid such situations, one of the EMD's important functions is to check every single application for property registration made with the Land Registry so as to ensure that there is no attempt to usurp government property. In 2008, 1,080 such applications were checked, and where applicable, the necessary cautions raised. The Department also investigated and resolved 84 cases of cautions raised against it by private parties.

To further secure Government's title to its real estate, the EMD has for a number of years been registering title to thousands of properties by carrying out laborious ownership research and then submitting *ad hoc* applications to the Land Registry. During 2008, an added impetus was given to this process via the creation of an overtime-based land registration task force that managed to put up no less than 2,930 land registration applications/plans (c. 33% of all applications received by Land Registry) for a total land area of nearly 6 million square metres.

Operational Streamlining

At the EMD, operational streamlining is an ongoing process that is the subject of regular reviews in *ad hoc* meetings between senior management and heads of units for purposes of identifying means of speeding public service delivery. During the past year, greater use of e-mail to hasten delivery of correspondence as well as the use of the telephone to directly explain the status of requests were two measures that were undertaken with success.

SUSTAINING GOVERNMENT FINANCES

Sale of Property

The identification of government land to be issued for sale by tenders at market prices is a major activity of the EMD's business development function, thereby enabling a direct contribution to government finances. In carrying out this function, the EMD also ensures that the parcelling of land for sale is undertaken in a manner that is conducive to higher values being obtained. During 2008 the amount recovered from sales of land (excluding ex-church property) amounted to €13,164,131.

Property Leasing

EMD also sustains government finances by processing and approving the disposal of government-owned land and buildings via emphyteutical grants, leases and temporary permits – with the final legal document being issued by the Land Department. This involves such properties as land, shops, garages, stores, mobile kiosks, filming, tables and chairs permits etc. During 2008 the EMD processed 60 cases for temporary activities on government land, 402 permits for repairs/works and 58 tables and chairs permits. In addition the EMD also approved another 140 properties for leasing and emphyteutical grants. During 2008 new leases were affected for a total yearly rent in excess of €300,000.

SUSTAINING GOVERNMENT PROJECTS AND INITIATIVES

Devolution of Property to Local Councils

As part of its efforts to promote subsidiarity, Government regularly devolves the management of properties to the respective local council. The EMD's task in this regard is that of evaluating requests by local councils for the devolution of properties, preparing necessary plans and *ad hoc* contract conditions and, following government approval, refer the matter to the Land Department for finalisation of the contract of devolution. During 2008 the Government Property Division concluded the devolution/leasing agreements for nine properties as approved by EMD, including properties at Vittoriosa, Floriana, Hamrun, Msida, Santa Luċija, Ghaxaq, Santa Venera, Żejtun and Fontana.

Property Expropriation Assistance for Infrastructural Projects

As part of the country's drive towards enhancing its road network infrastructure, as well as ensuring the provision of such public goods as drainage and water services, it is not uncommon for private property to be expropriated for a public purpose under the Land Acquisition (Public Purposes) Ordinance. In this context the EMD plays a crucial role in that, when a project is planned that may be required to make use of non-government land, it is the EMD that identifies what land needs to be expropriated. The Department gathers all relevant technical and legal data, takes measures to ensure reduced use of privately-owned land (by for example proposing re-alignment of project configuration with government-owned land), liaises with the sponsoring department and prepares the necessary plans for the expropriation. The EMD also provides technical assistance to the Land Department in acquisition cases taken in front of the Land Arbitration Board. During 2008 EMD's efforts enabled the Land Department to issue 70 new cases of expropriation.

Where previously expropriated land is found to have remained unutilised, action may be taken to have land released back to the original owners or their successors in title. In 2008 the EMD approved the release to the original owners of more than 100,000 square metres of such land.

Special Projects

It is part of Government's development strategy to make use of government-owned property for purposes of enhancing economic activity via private investment in property redevelopment and urban regeneration

projects. The EMD makes a valid contribution in this regard through the identification of land boundaries, property status and burdens, participation in the preparation of project documentation, drawing up of property disposal plans and also participation in the preparation of tender documents. During 2008 the EMD played an active part in such projects as the privatisation of the Malta Shipyards, Selmun Palace Hotel, Hal-Ferh Holidays and Enemalta's Gas Operations. Other projects included the Valletta Lift Project and the Barrakka Heritage Park.

Land Transfer to Government Entities

During 2008 the EMD also played a major role in other government projects via the provision of government-owned land for such purposes as the North Malta Sewerage Treatment Plant, South Malta Sewerage Treatment Plant, land for Enemalta substations and also land for afforestation purposes.

Facilitation of Home Ownership Schemes

As in previous years, the EMD continued to sustain Government's efforts to promote home ownership by authorising the transfer to the Housing Authority of 342 properties for eventual sale to tenants. The EMD also issued 37 objections to sale requests by the Housing Authority - normally in view of the heritage value of subject property or other estate management considerations militating against sale.

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 2008 the EMD processed and approved for leasing 450 applications.

Support Services

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

OTHER INITIATIVES

Policy Collection Exercise

During 2008 the EMD undertook a laborious policy collection exercise whereby scores of policy documents, *ad hoc* policy decisions and legal advices that guide property decision-making across the whole Government Property Division were researched, sourced and organised into one collective database.

Training Programme

During 2008 the EMD undertook the initiative of organising a complete work-based training programme aimed at all Division employees that involved some 2,000 man-hours of training in such issues as data protection, concepts of property law, Disposal of Government Land Act, Land Acquisition (Public Purposes) Ordinance, property disposal policies and procedures, land expropriation procedures, evaluation of property requests, sale of land, property enforcement, processing of applications for agricultural land, and IT systems training.

GPD Website

During 2008 the EMD undertook several amendments to the website of the Government Property Division including the preparation of updated versions of policy and procedural documents. A new webpage was also prepared in conjunction with the Freephone 1577 initiative launched by the Parliamentary Secretary for Revenues of Land for purposes of promoting the reporting of abuse of government property. The EMD also prepared two sets of Frequently Asked Questions for the website, one set related to Data Protection issues and another set related to the Freephone 1577 service.

Green Initiatives

The EMD has also contributed to Government's green initiatives by reducing the use of paper and fuel particularly by resorting to the use of technological innovations such as the use of orthophotos to reduce the need for site inspections and hence fuel consumption, and also promoting the use of electronic means of storing documentation as opposed to hard-copy printing, when and as appropriate.

JOSEPH CARUANA

Director (Estate Management)

Government Property Division Land Department

INTRODUCTION

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

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

The Land Department is organisationally split up into two branches, namely the Enforcement Branch, responsible for all enforcement measures required to better manage government property, and the Contracts Branch which handles 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 context, a very small number of Enforcement Officers carries out site checks to ensure that conditions of leases and permits are being honoured. Non-compliance is met by counter measures to ensure that defaulters are brought back on track. These measures include formal warnings, the issue of prohibitory injunctions and also eviction proceedings. In this regard Chapter 228 of the Laws of Malta, the Land (Compulsory Eviction) Act, gives the Commissioner of Land extensive powers to evict persons who occupy government property without title. This power is used with caution but the Land Department is committed to ensure that government property is not abused of.

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

During 2008, over 23,000 payments which represent 51% of the total payments of rent were effected at local councils, while 1,000 payments, which represent 2.22% of the total payments, were made through the Government Property Division's website (www.gpd.gov.mt). Clients have three options for the payment

of rent: at the department by cheque or bank draft, at the Local Councils by cash, cheque or bank draft and on-line by credit card through the GPD's web site.

CONTRACTS BRANCH

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

The publication of tenders necessitates continual liaison with the Estate Management Department and the Joint Office to ensure that the appropriate conditions are set out in the tender. To ensure maximum publicity, tenders, are advertised on a number of local newspapers apart from the Government Gazette. Transparency is ensured by opening all tender documents in public.

Government has for decades made use of the provisions of the Land Acquisition (Public Purpose) Ordinance (LAO) to enable it to take over private property without having finalised acquisition proceedings. Since 1994, the department has limited the growth of the acquisition debt by requiring government departments that originate the need for the acquisition, to provide up front the full estimated value of the effected property. This ensures the payment on demand for any acquired property. Between 2002 and 2008 over €64 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 amendments 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 140 bank accounts were opened in 2008 for a total deposit amounting to €3.1 million.

2008 HIGHLIGHTS

Revenue Collection

During 2008, no less than 59,000 rent invoices, 210 judicial letters, and over 70 lease termination warnings were issued to ensure timely recovery of rent dues. To these, one has to add other efforts such as telephone contacts. About 72 repayment agreements were also negotiated with defaulters. This has resulted in a total revenue in 2008 of €20,347,881 excluding sales.

Abuse of Government Property/Evictions

Enforcement measures were taken early in 2008 to address this matter. The Enforcement Section has been strengthened by three additional officers and the total number of enforcement officers at the Land Department is now five. In addition the Department is about to issue a call for tenders for contracting the provision of machinery which at times may be required in order to demolish illegal structures after eviction.

Enforcement actions have been carried out without break and as a start public pavements and government land have been successfully freed from illegal encroachments. As a result the Land Department has won the support of the public in its commitment to stop abuse of government land.

The major eviction carried out was the removal of a large number of caravans from Baħar ic-Cagħaq. In addition to this, the Department has with the initiative of the Director General GPD improved work practices on permits for the use of land as follows:

- established a policy on the termination and renewal of encroachment permits as a follow-up to enforcement which includes the payment of fines for the return of furniture/items lifted and the issue of fresh permits;

- issued a strong notice to all encroachment holders of sites for the placing of tables and chairs warning them to ensure strict compliance with conditions and to remove/correct any infringement that they may have;
- carried out surprise visits on sites where action had already been taken to establish whether any abuse is repeated; and
- organised weekly enforcement strategy to obtain maximum results.

Tenders, Leases and Sales

During 2008, the Land Department advertised a total of 202 tenders for the lease of government property. These resulted in 77 lease agreements and 57 contracts. A total of 443 lease agreements were concluded in terms of the Agricultural Scheme. 218 encroachment permits were issued. These included permits for mobile kiosks and permits for the placing of tables in public areas. The Land Department also completed the sale of government land/property resulting in revenue for 2008 of €13,164,131.

Acquisition

In 2008, the Department finalised a number of acquisition deeds paying a total of €7.6 million to owners of expropriated property. A total of 103 new President's Declarations for the expropriation of land mainly for road formation have been issued. Moreover, 37 President's Declarations of past outstanding acquisitions in order to compensate the owners in accordance with the amendments made to the Land Acquisition (Public Purpose) Ordinance (Chapter 88) have also been issued.

Releases

In 2008, a total of 20,236 square metres of land in various localities formerly acquired in virtue of the Land Acquisition (Public Purpose) Ordinance (Chapter 88) were released to the private owners.

Free of Charge Services

During the year, the Land Department 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 €272,653. The sum of €16,887 was collected as rent for sports facilities on behalf of the Sports Council.

Projects

The Land Department has worked closely with MIMCOL and the Privatisation Unit in the preparation of tender documents for the privatisation of the shipyards and the preparation of work processes and parliamentary resolution of the gas privatisation project. The Department has further processed the devolution of various sites and premises to local councils.

CONCLUSION

The Land 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 in 2009 the Department will continue to explore further avenues in order to extinguish payments for land expropriated in the past.

ALBERT V MAMO
Director (Land)

Government Property Division Joint Office

INTRODUCTION

The roles of the Joint Office are:

- managing and administering the immovable estate transferred to Government by the ecclesiastical authorities in terms of the Ecclesiastical Entities (Properties) Act, Chap. 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 2008, the following properties were alienated:

As per 1996 Scheme	4
As per 2002 Initiative or original deed	226
As per Tenders/Exchange/Direct Disposal/Conversion	21
Total	251

Four premises were transferred to the Housing Authority for social housing purposes.

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

2002 Initiative

By the end of the year, the Joint Office had received 5,445 applications for the redemption of ground rent and for the purchase of leased premises. This was a result of the Government's announcement in the 2002 Budget Speech, that the Government was putting on the market all the properties being administered by the Joint Office which are either resident-occupied or used as a summer residence.

Of the 4,671 applications processed so far, 821 applications were invalid and a further 3,516 applicants were informed of the amount of redemption or of the selling price, as determined by established criteria, and 334 applicants were given an interim reply. With a view of hastening the process, the Joint Office farms out to architects in private practice the valuation of certain properties.

Agriculture Leases Scheme

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

Reconciliation, Verification and Registration

Transfer of Information on Properties

During 2008, 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 this year, 24,523 forms concerning properties listed in Annex 8 of the Church/State Agreement were forwarded to the Joint Office by the ecclesiastical entities.

In 2008, the Control Committee approved 552 corrections, as provided for in 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. The Committee also signed 300 property forms, thus confirming the final amount due to the ecclesiastical entities in respect of the properties concerned.

During the year, the Joint Office continued to reconcile the values of properties previously owned by the 99 different ecclesiastical entities. In fact, during 2008 the Joint Office verified and determined the exact value of 1,248 properties transferred to the Government by the Order of Saint Augustine, bringing the total of reconciled entities to 52.

Registration of Properties

The Department continued with the registration of property with the Land Registry in terms of Chap 358. During 2008, the Joint Office registered 607 properties which include 1,910,781 square metres of land which is not built up. The related work entailed the drawing up of relative plans. This brought the total number of properties registered as on 31 December 2008 to 11,726.

The following figures show the number of properties which were registered during the past three years:

	2006	2007	2008
Registered Properties	877	567	607

Revenue Collection

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

	2006	2007	2008
	€	€	€
Rent	1,195,460	1,416,501	888,428
Sales	10,840,892	4,959,101	13,266,255
Total	12,036,352	6,375,602	14,154,683

27% of the amount of rent collected during 2008 consisted of arrears. This was the result of an ongoing enforcement exercise undertaken by the Department in conjunction with the Land Department.

The Control Committee

The Control Committee is a body set up in terms of Article 17 of the 1991 Agreement between the Holy See and the Government of Malta. Two members of the Committee are nominated by the Holy See and two members are nominated by the Government of Malta. Chairmanship of meetings is by rotation. The present members representing the Government of Malta were nominated in January 2002.

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 150/2008, the sum of €6,542,600 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 Department and the Land Department

The co-ordination and related co-operation of the Joint Office with the Estate Management Department and the Land Department, both departments falling under the Government Property Division, continued to be essential for uniformity in adopting common policies of the Division.

JOSEPH SCIRIHA
Director (Joint Office)

Office of the Notary to Government

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.

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 Inland Revenue 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 Division, the Ministry of Foreign Affairs, the Works Division and others.

A number of contracts were published by the Notaries at the Department.

Upgrading of Archives at St Christopher Street

During the period under review, the office with the assistance of the Notarial Archives Resources Council, continued working on the project of organising and upgrading the Archives at St Christopher Street Valletta. A number of security measures were installed including an intruder alarm system, a fire alarm system as well as a suppression room sponsored by HSBC. A computer was also donated by HSBC and a special box-system covering 70 volumes were donated by the Farsons Foundation. A system for monitoring humidity levels was also put into effect.

Notarial Warrant Examination

In March 2008, a Notarial warrant exam was held for 24 students. Twenty students were successful and obtained their warrant in April 2008.

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 2009.

Lotteries

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

<i>Notarial Archives</i>	
Volumes of deeds received in the Archives in terms of the Notarial Profession and Notarial Archives Act (Chap. 55)	294
Volumes of deeds received from the Special Commissioner for Notarial Acts in terms of Act X of 1999	22
Copies of deeds issued	9,283
Volumes repaired	72
Volumes bound	48
<i>Notary to Government Office</i>	
Deeds were published in connection with:	
Works (tenders) contracts	5
Courses of study and scholarships	18
Sale of gravesites	4
Other transactions to which Government was a party	51
Notes of enrolment, hypothecs and references entered in the Public Registry	86

Revenue and Expenditure

The revenue collected by the office, during the year under review, amounted to €171,880.4 and the expenditure during the same period totalled €254,517.74.

CORA VELLA

Chief Notary to Government