



FMA Visit to Malta in context of the Maltese Presidency 2 - 4 April 2017

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PROGRAMME

OF THE MALTESE PRESIDENCY
OF THE COUNCIL OF THE
EUROPEAN UNION

(1 January 2017 - 30 June 2017)



MALTA EU2017

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PART I

Introducing the Maltese Presidency Priorities

As Malta takes on the Presidency of the Council of the European Union in January 2017, the EU faces the toughest challenges in its 60-year history. Unprecedented waves of migration from Africa and the Middle East are exerting pressures on Malta's Mediterranean neighbourhood, while the rise of populism across the continent is challenging the political status quo. Economic stagnation in some Member States is adding to rising disenchantment and to a growing disconnect between power elites and ordinary citizens, while the repercussions of the UK's Brexit referendum in June 2016 will be felt for years to come. These are times of great global change.

We are nonetheless ready for the challenge, and we are confident that while Malta may be the smallest nation among the 28 Member States we can provide strong leadership as we further the excellent work of the Netherlands and Slovakia, our Trio Partners. We will of course close off the Trio Programme, based on the Strategic Agenda agreed by the European Council in June 2014, but in doing so we will adopt our own, unique approach to the Presidency that reflects our response to the particular challenges of our time.





► Our Presidency theme – rEUnion

The theme of the Maltese Presidency is rEUnion, a concept that encapsulates everything we want to achieve at this special moment in our country's rich history. At its core, rEUnion means reconnecting the citizens of the EU at individual, corporate and state levels – with each other, with their governments, with the EU and with the world. It's a huge aspiration, and we are not pretending it can be achieved in just six months. What we do know, however, is that we can make a start, and chart a course through the storms of disunity and disaffection blowing across our continent.

rEUnion is not a legislative programme, it is a philosophy and a way of working. It means listening to and working for the people, sharing the burdens and benefits of membership of the EU fairly between people and states and restoring a sense of cooperation and neighbourliness in these increasingly fractious times. It means reconnecting with people – and the recent political earthquakes have shown just how poorly the existing power elites have understood the everyday concerns of ordinary people.

► A focus on people

So we have to put the citizen at the centre, and we have to shift the focus of the EU away from its institutions and back onto the public. We will encourage the EU to listen harder to the concerns of its citizens, to examine what is driving some away from collaboration and towards nationalism, and we will find new ways to restart and re-energise the project.

To do this, we have developed a series of questions that our deeds will need to answer as we make progress on our theme of rEUnion. These questions, or focus areas, will form the pillars of our Presidency.

Firstly, how can we ensure that all of our citizens feel certain that the burdens as well as the benefits of EU membership are fairly and equally shared? For example, why should the costs and disruption of migration from outside the Union fall so heavily on so few member states?

Secondly, how do we make sure that citizens can understand, believe in and get involved in the EU project? How can we help people feel a personal connection, a sense of excitement and a willingness to participate? How do we make them feel that "the EU is there for me"?

Thirdly, how can we make sure that the rights of every citizen are protected, regardless of age, ethnicity, gender identity or sexual orientation, that inequality is reduced and that opportunities in our society are equally available to all? How do we finally smash the glass ceiling?

Fourthly, in an age when power elites are held in contempt by an increasingly disenchanted populace, how can we ensure that trust is regained through mechanisms that ensure that those in power are clearly held accountable to the people for their actions, and that they are not open to corruption?

Finally, how can we make sure not only that the work of the EU results in economic benefit to Member States, but that those benefits are passed on to all its citizens, and not just corporations and their shareholders?



► Ideas into action

So we have developed a number of priorities around which our leadership of the Council of the EU – which sets the policy agenda for much of the work of the Union – will be based.

Migration and asylum represent one of these priorities – and of course Malta is very much in the ‘front line’ here due to its location less than 300km from the coast of Tunisia. Our twin objectives in this area are to push for reform of the Common European Asylum System (including the Dublin Regulation and transformation of the European Asylum Support Office into a fully-fledged agency) in order to share the burden more evenly between Member States, and to ensure that the issue remains at the top of the political agenda. Across the EU, citizens are demanding action and we cannot afford to have a complacent Union that fails to treat this subject with the urgency and importance it deserves.

Following horrific terror attacks in recent years around the world, security is a primary concern to citizens of every nation. We owe it to them to combat this pernicious menace. The Maltese Presidency will work to develop concrete proposals that address regional and global challenges while upholding the values that underpin the very existence of the Union. The EU’s first line of work in this area remains effective diplomacy, and in this respect we will work closely with the External Action Service, under the umbrella of the EU’s Global Strategy, to manage the complex challenges of migration, terrorism, and hybrid threats.

Europe’s security and prosperity are interlinked with that of our neighbourhood. Countries bordering the Southern Mediterranean are facing serious challenges, including armed conflict, terrorism, political instability and radicalisation. Aware of the potential ripple effects of instability beyond Europe’s borders, we will focus EU engagement towards the stabilisation of our neighbourhood, with particular focus on Libya.

We will also be looking to strengthen the EU’s Single Market, the huge free trade area that many regard as the EU’s greatest asset. Our priorities include a final end to mobile phone roaming charges, and tearing down the digital fences that stop some EU citizens from buying goods and services from other EU nations – a practice known as geo-blocking. We are also looking to complete the Internal Energy Market, bringing tangible benefits to our economies, businesses and families.

Our tiny island state has long punched above its weight in building an inclusive society, and Malta will use the Presidency to help women get a fair deal in all areas of society – and not least the labour market – and to ramp up efforts to combat gender-based violence. A Ministerial Conference on issues impacting people of all sexual orientations and gender identities to push ahead more quickly on the European Commission’s existing roadmap will be held in Malta.

And finally, as befits an island nation, we will be looking to the sea, to ensure not only the sustainability of our oceans, but also effective governance to promote growth in areas such as maritime tourism and sea freight.



► Only (re)connect...

The Summit of EU Heads of State or Government, due to be held on 3 February 2017 in Malta following the Bratislava Summit in September 2016, will be an important opportunity for EU leaders to gather momentum towards a new vision of Europe. This will be a timely event coming just ahead of the commemoration of the 60 years since the birth of the EU itself, a celebration that will also take place during our Presidency in March 2017.

Here, as throughout our Presidency, rEUnion will be our theme, and in this document we present in detail the Programme we will follow to deliver success in the priority areas outlined above. The task is momentous, but we will not be daunted. Throughout its history, Malta has never shied away from responsibility in the face of seemingly impossible challenges. We know too well the consequences of disunity and European political disintegration. We will work tirelessly to reconnect the citizens of Europe with the uniquely successful project that is the European Union.







PART II

council configurations

GENERAL AFFAIRS



► **Future of Europe**

The Bratislava Summit marked the beginning of a process which will continue at the informal Summit to be held in Malta in February 2017. Emphasis needs to continue on the delivery of promises and improving communication with the citizens. The March 2017 celebrations of the 60th anniversary of the Rome Treaties will bring together Heads of State or Government in Rome and set out orientations for our common future together. The Commission will contribute to this debate by way of a White Paper on the Future of Europe.

► **Better Regulation, Accountability and Transparency**

The Maltese Presidency will continue the work on the implementation of the Inter-Institutional Agreement on Better Lawmaking (IIA) which was signed on 13 April 2016 by the European Commission, the Council and the European Parliament. This agreement aims to improve the way the EU legislates to ensure the quality of regulation and to make sure it responds to the needs of society and businesses. The Maltese Presidency will make sure that better law-making remains an ongoing priority for the Council. Following the work undertaken by the Netherlands and the Slovak Presidencies, the Maltese Presidency will continue to develop and implement measures which aim for better quality evidence-based legislation and effective but less burdensome policy-making.

On legislative programming, the Maltese Presidency intends to continue the discussion on the Commission's annual programme by holding an early exchange of views with the Commission on the priorities for the upcoming year on the basis of the IIA on Better Lawmaking. The Maltese Presidency, will also engage in regular monitoring, together with the European Parliament and the Commission on the implementation of the Joint Declaration. The declaration sets out the broad objectives and priorities for 2017 and identifies proposals that deserve preferential treatment in the legislative process.

Apart from the discussions on legislative programming, work will continue on transparency, including the joint database on legislative files and the mandatory Transparency Register, work on delegated and implementing acts, as well as improved practical arrangements for cooperation and information sharing on negotiation and conclusion of international agreements.

► Multiannual Financial Framework (MFF)

Following the Commission's Proposal for the mid-term review/revision of the 2014-2020 Multi-Annual Financial Framework (MFF) dated 14 September 2016, the Maltese Presidency will follow up on the work carried out during the Slovak Presidency with the aim of concluding negotiations within the Council and obtaining the European Parliament's consent in early 2017. This will enable the 2017-2020 EU annual budgets to better respond to the needs of the European Union, its citizens and beyond, particularly in relation to jobs and growth as well as the migration and security crises, the extent of which could not be foreseen in 2013, when the current MFF had been agreed upon.

In the context of this review, the Maltese Presidency will also strive to make sufficient progress in the negotiations within Council and with the European Parliament on the Commission's Omnibus Proposal for the revision of the Financial Regulation applicable to the EU Budget and 15 funds/programmes' sector-specific legislation. The revision aims at simplifying the budgetary procedures, rendering them more flexible and agile, thereby allowing them to respond to new requirements.

► Cohesion Policy

Work will continue on the implementation of the Cohesion Policy 2014-2020 programmes, both in terms of the deadlines set out within the Cohesion Regulations, as well as implementation of projects on the ground.

The Maltese Presidency will also coincide with the first general debates on the future cohesion policy post-2020.

Under the Maltese Presidency, the expected legislative changes to the Cohesion Policy Regulations as a result of the MFF review are considered a priority, alongside efforts to simplify the overall policy. In this respect, the Maltese Presidency will seek to assess the outcomes of the High-Level Group on Simplification, both of its sixth meeting held in November 2016 which focused on audit and work programme post-2020, and its next meetings in the beginning of 2017 focusing on post-2020.

► Urban Agenda for the European Union

The Maltese Presidency will further the implementation of the Urban Agenda with a mid-term review of the first four partnerships which commenced during the Netherlands Presidency, provide input to the partnerships which were given the green light during the Slovak Presidency, and pave the way for the last four partnerships which are to be initiated during the Maltese Presidency.

► Enlargement

Enlargement plays a key part not only in the shaping of the Union but also in the development and growth of prospective Member States. The policy has been a key contributor in shaping the Union as it is today. This is mainly the result of the various reforms, which are at the core of this extensive process. In keeping with the European Commission's Fundamentals First approach, which prioritises rule of law, economic governance and public administration reform, the intention of the Maltese Presidency is to underline, through a number of initiatives, the importance which rule of law can play in advancing economic development in the candidate and potential candidate countries. The Maltese Presidency considers these elements as key for the successful accession of the enlargement countries. Highlighting this link is even more important with the change in reporting of the enlargement package which will, from 2018 be published in Spring in order to ensure stronger coherence between the package and the Economic Reform Programme process. The Maltese Presidency's objective is to reinforce the link and its spill-over effect in relation to the two other areas at the heart of the enlargement process, namely Rule of Law and public administration reform.

The Maltese Presidency will continue to support the accession process of the Western Balkan region and Turkey. EU engagement ensures that the momentum on key reforms is maintained. The transformative power of the enlargement process cannot be underestimated. We believe it is mutually beneficial.



▶ **Cooperation and Verification Mechanism**

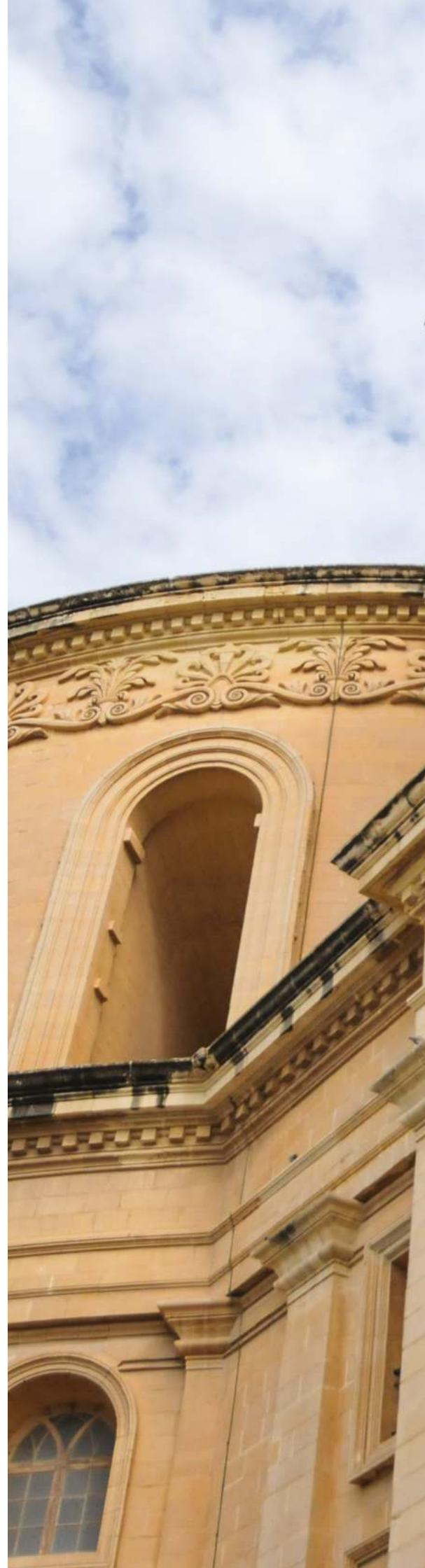
The Maltese Presidency will continue to support Romania and Bulgaria in meeting their objectives as set out by the Cooperation and Verification Mechanism within the fields of justice and the rule of law.

▶ **Reunification of Cyprus**

Recalling the support reiterated by the European Council in December 2016 for the ongoing process for the reunification of Cyprus, the Maltese Presidency will also be closely following the developments in the talks.

▶ **Sustainable Development Goals**

Additionally, the Maltese Presidency will also give due attention to the 2030 Sustainable Development Agenda that was adopted in New York in September 2015. The Maltese Presidency will work towards attaining an EU vision for the implementation of the Sustainable Development Goals, on the basis of the Commission Communication, adopted in November 2016 on the Next Steps for a sustainable European future, encompassing the economic, social, environmental dimensions of sustainable development, as well as governance, within the EU and globally.





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INSTITUTIONS
DE
L'ÉCOLE
NATIONALE
DES
BEAUX-ARTS
DE
PARIS



FOREIGN AFFAIRS (INCLUDING DEVELOPMENT, TRADE AND DEFENCE)



The Maltese Presidency will support the work of the High Representative of the Union for Foreign and Security Policy in chairing the Foreign Affairs Council in two of its configurations and in carrying out the Common Foreign and Security Policy competences bestowed under the Treaty of Lisbon. It will work closely with the European External Action Service under the umbrella of the EU's Global Strategy to manage the complex challenges Europe is facing, especially migration and security. In this regard, the EU Global Strategy will comprehensively guide EU action and determine the Union's role as a relevant international player.

Against the backdrop of an international landscape that has been increasingly marked by instability and insecurity, the Maltese Presidency will contribute to the efforts towards addressing regional and global challenges geared towards enhancing security for Europe's citizens and enhancing the stability of its immediate neighbourhood, while upholding the values that underpin the very existence of the Union. A comprehensive response must be formulated not only from an internal security perspective, but also within a common foreign and security policy. The EU's first line of work remains diplomacy. In a world where the EU is facing an increasing number of challenges (migration, terrorism, hybrid threats), an integrated approach is crucial. The Maltese Presidency will strive to continue the mainstreaming of counterterrorism into the broader EU policies and strategies and ensure synergy between the internal and external aspects.

The EU's response to the turmoil in Libya, Syria and Iraq, as well as the longstanding instability characterising the Sahel region and the Horn of Africa, will define its resolve in implementing actions based on the development-security nexus.

The Mediterranean will be a horizontal focal region of engagement for the Maltese Presidency given the reigning instability resulting from ongoing conflict, socio-economic challenges, terrorism, radicalisation and human rights violation. One of the main consequences of this instability has been the ongoing migration challenge which will be a key priority of the Maltese Presidency.

Addressing the External Dimension of Migration will require the continued resolve of the EU and Member States to maintain a comprehensive approach deploying the full range of the EU's policies and instruments. The implementation of the new Partnership Framework with third countries will be further pursued as tasked by the European Council in December 2016, as well as actively contribute to the ongoing negotiations of the Global Compacts in the follow-up to the adoption of the New York Declaration for Refugees and Migrants.

The Maltese Presidency will also host the Joint Valletta Action Plan: Senior Officials' Meeting in Malta in February 2017 in order to take stock of the implementation of the Action Plan that was launched during the 2015 Valletta Summit on Migration as well as to plot timeframes for future work. The Maltese Presidency will also take forward the work on the Compacts.

▶ European Neighbourhood Policy (ENP)

The situation in Europe's neighbourhood has rarely been as fluid, or as challenging, as it is today. Nevertheless, this presents the EU and its partners in the region with opportunities to address common threats and challenges through a comprehensive approach within the framework of the European Neighbourhood Policy (ENP). The Maltese Presidency will support the High Representative and the Commission in their efforts to further consolidate and develop the ENP along the lines of the revision conducted in 2015 and in a spirit of consultation with Partners.

▶ Southern Neighbourhood

The Maltese Presidency will devote particular attention to the EU's Southern Neighbourhood, where the stabilisation of Libya through a peaceful transition, will be a key priority. Similar commitment will be shown to ensure that the democratic transition in Tunisia remains on track and in this regard, during the Presidency, Malta will be at the forefront to support Tunisia in its endeavours towards stability.

Countries bordering the Southern Mediterranean shores are facing serious challenges ranging from conflict through terrorism, to extremism and radicalisation. Europe's external policy has to counter these threats to peace in the region, particularly in Libya and Syria. The fostering of enhanced synergies between regional mechanisms such as the 5+5 and the Union for the Mediterranean, and the Anna Lindh Foundation will contribute to this process.

The considerable security challenges in the wider Middle East will remain a priority. The Maltese Presidency attaches particular importance to the Israeli-Palestinian conflict and will support all efforts towards the relaunching of a meaningful political process that will break the current deadlock.

In the same vein, the Maltese Presidency will encourage the deepening and widening of relations with the League of Arab States building on increased engagement in a range of mutually important issues such as crisis management, counter-terrorism and migration. Malta will seek to revitalise

relations both through the Gulf Cooperation Council (GCC) and its Member States, which would serve as another opportunity for stepping up multi-level cooperation of the EU's relations with the GCC.

The Maltese Presidency will also be committed to support the development of EU-Iran relations through the EU's policy of gradual engagement that is comprehensive in scope, cooperative where there is mutual interest and critical and constructive in practice.

In line with the above, during its Presidency, Malta intends to hold an event that brings together Foreign Ministers from the EU, the Southern Neighbourhood and the Gulf Cooperation Council. It is our intention to provide an ideal forum for a constructive discussion on issues of common interest such as culture, education, youth and interfaith dialogue in a more intimate and relaxed environment. The format of this meeting would be that of an informal retreat to make sure that there is a dynamic and open exchange of ideas among all sides. No conclusions will be adopted after this meeting and no resolutions will be tabled.

▶ Eastern Neighbourhood

The Eastern Neighbourhood will also be a priority as a specific dimension of the European Neighbourhood policy. The Maltese Presidency will endeavour to support discussions in the run up to the Eastern Partnership Summit, which is to be held in November 2017 in Brussels under the Estonian Presidency. This will provide the opportunity to evaluate the status of the Partnership and consider how it can be consolidated while responding to the individual priorities of the partner countries.

Support will be given to the EU's efforts to resolve the ongoing conflicts in the Eastern Neighbourhood, including the situation in Ukraine, and to ensure commitment to strengthening of democracy, rule of law, human rights and fundamental freedoms, as well as principles and norms of international law. During its Presidency, Malta will work hard to maintain engagement with Russia to ensure cooperation on issues of global and regional concern and common interest.



▶ Africa

The Maltese Presidency values the importance of the EU's strategic partnership with Africa. In this context, the Maltese Presidency will support preparations for the 5th EU-Africa Summit which will take place in November 2017 in Abidjan, Republic of Côte d'Ivoire. The Summit will present an excellent opportunity to further strengthen our partnership to address common challenges and opportunities. It will serve to build upon the continuing dialogue on peace and security, development, creating a better future for Africa's youth, migration and the fight against terrorism.

▶ Latin America and the Caribbean

The Maltese Presidency will follow up on the discussions held in the EU-CELAC Foreign Ministerial Meeting of October 2016 and will support preparations for the EU-CELAC Summit taking place in 2017 in El Salvador.

▶ EU and Turkey

Turkey remains a key strategic partner for the European Union and plays an important role in maintaining peace and stability within the region.

The entire international community, and the EU, need a stable and unified Turkey to address together the many crises and common threats in the region. Turkey's contribution towards reducing irregular flows of migrants and addressing the crisis, as a result to the EU-Turkey Statement, also cannot be underestimated. Within this context the Maltese Presidency will be monitoring developments closely with a view to ensuring continued implementation of the EU-Turkey Statement. It will also do its utmost to ensure that the EU maintains constructive engagement and clear communication with Turkey.

► Common Security and Defence Policy (CSDP)

The Common Security and Defence Policy (CSDP) remains a key element of the EU's comprehensive approach towards ensuring peace and stability in Europe's immediate neighbourhood and beyond. The new Global Strategy provides an opportunity for the EU to rethink and fine-tune its approaches to conflict prevention, crisis management and post-conflict peace building and reconstruction. During its tenure, the Maltese Presidency will continue to support the High Representative's work in the implementation of the EU Global Strategy within the various work strands, with the first High Representative's Implementation Report expected in June 2017. The Maltese Presidency will similarly support efforts to address the increasing links between the internal and external security dimensions of the EU, migration, and the EU's responses to the instability in its immediate neighbourhood to the South and East. CSDP missions and operations should be an integral part of preventive engagement and crises response and should be activated in a timely and effective manner, since the EU has the ability and responsibility to deliver security.

The Maltese Presidency will highlight the importance of strengthening the security-development nexus. The implementation of Capacity Building for Security and Development (CBSD) will be a key element to enable partners to prevent and manage crises. The Maltese Presidency looks forward to facilitating discussions with the European Parliament towards the adoption of the relevant CBSD proposal during the first half of 2017.

► Development and Humanitarian Aid

Given the universality, the implementation of Agenda 2030 for Sustainable Development across EU policies will be one of Malta's priorities during the Presidency. Particular attention will be paid to ensuring coherence

between the internal and external policies as a follow-up to the overarching Commission Communication on the Next Steps for a Sustainable European Future.

Bringing about a new European Consensus for Development will be a main priority of the Maltese Presidency in the area of development policy to provide a new shared vision of how the EU institutions and Member States will work together to achieve the Sustainable Development Goals. The EU Global Strategy, the Sustainable Development Goals, the Addis Ababa Action Agenda, the Sendai Declaration and the COP 21 Paris Agreement need to be reflected in the new European Consensus on Development to maintain its relevance, thereby equipping the EU to respond efficiently and effectively to current and future development challenges.

Focusing on the Migration and Development nexus will be pivotal to achieve a comprehensive and balanced approach that addresses the root causes of migration and forced displacement.

The new European External Investment Plan (EIP) will provide a coherent overall framework to improve investment in Africa and the Neighbourhood, in order to promote sustainable investment and tackle the root causes of migration. The Maltese Presidency will aim to have all work on the plan completed in time for its launch by the end of June 2017.

Furthermore, preparations for the formal negotiations on future relations with the African, Caribbean and Pacific Group of States (ACP) will be undertaken during the Maltese Presidency.

The Maltese Presidency will work to uphold the fundamental principles of Humanitarian aid: neutrality, impartiality, humanity, and independence, while advocating a strong needs-based approach. Malta will seek to ensure the promotion of better coordination between humanitarian aid and development cooperation, also in the context of the current crises in the European neighbourhood. Indeed, humanitarian aid will be a core element of the EU's comprehensive approach addressing the multi-faceted challenges of migration, particularly related to the issue of displaced persons.



► Trade

International trade will be a key policy area during the Maltese Presidency in view of the importance it has for the EU's economy, jobs and global competitiveness. In this regard, the Presidency will maintain momentum with respect to the current EU trade agenda, with the objective of making progress in multilateral, plurilateral and bilateral discussions, working on new mandates and advancing on legislative proposals to achieve balanced and mutually beneficial outcomes.

The Maltese Presidency will give due importance to the multilateral dimension of international trade, enabling constructive discussions within Council to progress on defining the EU's position in view of the WTO Ministerial Conference (MC11) scheduled for December 2017. On the plurilateral front, the Maltese Presidency will keep up Council's engagement on the Trade in Services Agreement (TiSA) and the Environmental Goods Agreement (EGA).

Recognising the importance of bilateral trade for jobs and economic growth, the Maltese Presidency will keep up the momentum on a number of ongoing negotiations. While substantial progress can be achieved with Japan, the Maltese Presidency will also follow the developments of negotiations with Tunisia, Mercosur, Mexico and ASEAN countries amongst others. The status of transatlantic trade relations will also be under consideration during the first half of 2017.

The Presidency will also work on the mandates for negotiations with Turkey in terms of the modernisation and upgrade of the customs union, Australia, New Zealand and Chile subject to the timing of their presentation. If the time is right, working towards the signing of concluded trade negotiations, especially the EU-Singapore and EU-Vietnam trade agreements, could also be envisaged. The Maltese Presidency will also work to substantially progress on the EU-China Investment Agreement.

A special focus of the Maltese Presidency will be on the reform of the Trade Defence Instruments (TDI), including their modernisation, and a new anti-dumping methodology in the light of the evolving WTO context. The Maltese Presidency will furthermore continue discussing draft legislation on Dual-Use Items and the International Procurement Instrument (IPI), as well as the implementation of the Conflict Minerals regulation.

Following the CETA process and the likelihood that the Court will declare its Opinion on the signature of the EU-Singapore FTA, the Maltese Presidency will seek to bring the Commission and Council together to discuss in a constructive and responsible manner, ways to address the issues raised.



ECONOMIC AND FINANCIAL AFFAIRS



▶ EU Budget

The Maltese Presidency will ensure that the discharge procedures for the 2015 Budget, the implementation of the 2017 Budget and the preparatory work for the 2018 Budget are all steered as smoothly as possible. On the revenue side of the EU Budget, the Maltese Presidency will follow up the report of the High Level Group on Own Resources.

▶ Economic Governance

The Maltese Presidency will carry forward the cycle of economic policy coordination in line with the revamped European Semester. The Maltese Presidency also intends to achieve a political agreement on the Structural Reform Support Programme (SRSP) Regulation. This Programme will allow Member States to request tailor-made assistance to support them in the design and implementation of institutional, administrative and structural reforms, and in this context, also help them make efficient use of Union funds.

The Five Presidents' Report on "Completing Europe's Economic and Monetary Union" was published on 22 June 2015 and was followed by the Commission's proposals relating to Stage I of the vision outlined in the Report. The Commission is expected to present a White Paper on the Future of Europe outlining the Stage II in March 2017. The Paper will provide the basis for discussions on the future architecture of the Economic and Monetary Union during the Maltese Presidency.

▶ Financial Services and Banking Union

Considering that Malta is a respected financial services centre, the Maltese Presidency will continue to push forward the discussions on the Action Plan on Building a Capital Markets Union. In particular, the Maltese Presidency will aim to finalise discussions with the European Parliament on the common rules on securitisation and creating a European framework for simple, transparent and standardised Securitisation.

With regard to venture capital, the Maltese Presidency will organise meetings with the European Parliament to negotiate the revision of the European Venture Capital (EuVECA) and European Social Entrepreneurship Funds (EuSEF) legislation on the basis of the Commission proposal. The aim is to improve the existing Regulation by addressing issues with investment policy, widening limits on investment and on who can set up these funds. The Maltese Presidency will aim to reach a political agreement during the Presidency.

Apart from the adoption of legislative proposals, the Maltese Presidency aims to take forward the remaining elements of the Capital Markets Union agenda, in particular the relevant policy initiatives within the narrative of growth and jobs. SMEs play a vital role in Member States' economies, so promoting access to finance to SMEs is crucial. The Maltese Presidency will continue to push forward initiatives that enable the



development of a wider range of funding sources which are better connected to the needs of SMEs across the Union.

The Maltese Presidency also aims to make progress on the legislative proposals on banking issued in November amending the Capital Requirements Directive (CRDIV), Capital Requirements Regulation (CRR), Bank Recovery and Resolution Directive (BRRD) and Single Resolution Mechanism Regulation (SRMR), which include the EU's implementation of international standards.

It will also continue the work on the legislative proposal on Central Counterparties (CCPs).

The Maltese Presidency will also initiate work on the review of the European Market Infrastructure Regulation (EMIR) which will be issued in the first quarter of 2017.

The Maltese Presidency acknowledges that a European Deposit Insurance Scheme (EDIS), which constitutes the third pillar of the Banking Union, is an important step in Member States' commitments towards completing the Banking Union. In this respect, the Maltese Presidency will continue constructive work at technical level on EDIS while aiming to progress on the risk reduction measures in the banking proposals.

► Taxation

The Maltese Presidency will also carry forward work on a number of ongoing taxation files, most notably the direct tax and indirect tax packages of Autumn 2016. Key dossiers within these packages include: the amendment to the Anti-Tax Avoidance Directive; an initiative on dispute resolution mechanism; the re-launch of the Common Consolidated Corporate Tax Base; the e-commerce proposals; and the reduced rates on e-publications proposals, in the area of indirect taxation.

► Anti-Fraud

The Maltese Presidency will invite OLAF and the Supervisory Committee of OLAF to present the respective annual activity reports at the Council Working Party on Combating Fraud. The Maltese Presidency will also represent the Council in the technical preparatory meetings which the European Commission will be organising in relation to the 2017 Inter-Institutional Exchange of Views.

► Anti-Money Laundering

The Maltese Presidency will seek to conclude the negotiations on the proposal amending the 4th Anti-Money Laundering Directive, which is meant to complement the existing preventive legal framework in place in the Union, by setting out additional measures to better counter the financing of terrorism and to ensure increased transparency of financial transactions and legal entities.

The Maltese Presidency is committed to achieving rapid progress and aims to reach a political agreement during its tenure.

► Investment

Growth and jobs remain an overarching priority for all EU Member States and for the EU as a whole. The vision that EU policies should contribute to bringing the European economy back up to speed and mobilising private sector financing in Europe is strongly shared by the Maltese Presidency.

As a matter of fact, the European Fund for Strategic Investment (EFSI) 2.0 and the EIB External Lending Mandate are priority files that will be worked on together with the European Parliament during the Maltese Presidency and all efforts will be made to ensure a political agreement.





JUSTICE AND HOME AFFAIRS



▶ Justice

In line with the recently adopted Commission Action Plan for Strengthening the Fight Against Terrorist Financing, the Maltese Presidency will take forward discussions on the proposed Directive to introduce minimum rules regarding the definition of the criminal offence of money laundering and to approximate different sanctions in Member States. Moreover, the Maltese Presidency will tackle discussions on the legislative initiative aimed at the strengthening of mutual recognition of criminal assets' freezing and confiscation orders (Terrorist Financing Package). The Maltese Presidency will initiate and aim to finalise negotiations on the proposed Council Decision on the conclusion, on behalf the European Union, of the Council of Europe Convention on the Prevention of Terrorism and its Additional Protocol. Depending upon the date of issuance of the relevant proposal, the Maltese Presidency will also take forward discussions on the Proposal on the European Criminal Records Information System (ECRIS) to cover third country nationals.

Negotiations will also continue on the revision of the current Eurojust Decision as well as on the proposal dealing with the establishment of the European Public Prosecutor's Office (EPPO Regulation). Work with regard to electronic evidence will also proceed.

The Maltese Presidency will further discussions on the proposal for a Directive on certain aspects concerning contracts for the supply of digital content, and initiate discussions on the Proposal for a Directive on certain aspects concerning contracts for the online and other distance sales of goods, as well as on the proposal revising the "Brussels II A" Regulation on jurisdiction, enforcement of decisions in

matrimonial matters and matters of parental responsibility, and on international child abduction. Furthermore, it will also initiate the discussions on the Proposal for a Directive on preventive restructuring frameworks, second chance and measures to increase the efficiency of restructuring, insolvency and discharge procedures (Insolvency Law), which aims at providing tools which would allow viable businesses in distress to be rescued and honest entrepreneurs to be given a second chance.

The Maltese Presidency will endeavour to proceed as far as possible on the discussion regarding the revision of Regulation (EC) No 45/2001 of 18 December 2000 on the protection of individuals with regard to the processing of personal data by the Community institutions and bodies. Malta will continue to give prominence to combating gender-based violence, in particular by promoting the sharing of best practices, and to exchange information on existing legislation, policies and strategies, as well as statistical data and studies on Violence against Women. Attention will also be devoted to finalising the Commission proposals for Council Decisions on the signing on behalf of the European Union, and conclusion, by the European Union, of the Council of Europe Convention on preventing and combating violence against women and domestic violence ('Istanbul Convention').

▶ Home Affairs

An area of freedom, security and justice within the European Union requires truly common European action in these sectors, particularly in relation to the challenges posed by migration and in relation to terrorism threats. The Maltese Presidency will aim to take forward this European approach.





► Migration and Asylum

Illegal immigration and asylum will be high on the agenda during the Maltese Presidency, which will endeavour to proceed with the implementation of the European Agenda on Migration presented in May 2015 and the associated packages of measures presented by the Commission.

The Maltese Presidency will take forward, as a matter of priority, the work on the proposals revising the Common European Asylum System with the aim of achieving consensus on the EU's asylum policy in line with the December European Council conclusions. Particular focus will be placed on the measures aimed at the effective application of the principles of solidarity and responsibility and the Dublin Regulation, the proposal on the establishment of the European Agency for Asylum and the EURODAC Proposal. It will also take forward negotiations on the proposals present in the second legislative package on asylum¹. The continued implementation of the Council Decisions for the relocation of persons in need of international protection will also be an important element as the end of the two-year period for the implementation of these Decisions (September 2017) draws nearer.

At the same time, efforts will continue in the field of legal migration, so as to ensure that Europe has the necessary conditions to attract workers with the skills it needs. With

this objective in mind, the Presidency will take forward the legislative negotiations on the revision of the Blue Card Directive.

The Maltese Presidency will give due importance to the external dimension of immigration and asylum within the framework of the Global Approach to Migration and Mobility. As mentioned above, further to the European Council conclusions of June and December 2016, the Maltese Presidency will follow up on the new Partnership Framework with third countries in order to save lives in the Mediterranean, increase the rate of returns to countries of origin and transit and enable migrants to stay close to home and avoid making dangerous journeys.

A Senior Officials Meeting will also be held in Malta in February 2017 to follow up on the 2015 Valletta Summit on Migration. The Maltese Presidency will also take forward discussions on the Global Compacts on Migration and on Refugees following the outcome of the UN Summit in September 2016. In the area of Visas, the Maltese Presidency will follow up on the work of the Slovak Presidency, where agreement was reached on the Visa Suspension Mechanism. In this regard, the Maltese Presidency will seek to achieve progress on visa liberalisation, particularly with Ukraine. A way forward on the recast of the Visa Code will also be sought. Furthermore, the Maltese Presidency will maintain the same momentum on further Visa Facilitation Agreements particularly with China.

¹ Consisting of (i) the revision of the current Reception Conditions Directive, (ii) the Proposal for a Qualification Regulation to replace the current Qualification Directive, (iii) the Proposal for an Asylum Procedure Regulation replacing the existing Directive, and (iv) the EU Resettlement Framework Proposal



▶ External Border Management

External border management remains a key issue in ensuring security while also maintaining smooth border crossings. In view of this, the Maltese Presidency will aim to register significant progress with regard to Smart Borders, namely the conclusion of negotiations on the proposals relating to the Entry/Exit System and will take forward negotiations on the establishment of a European Travel Information and Authorisation System (ETIAS).

▶ Internal Security and Terrorism

Given the current security situation, the implementation of the Agenda for Security 2015-2020 and the Renewed Internal Security Strategy is of key importance. The Maltese Presidency intends to take forward the discussion on the fight against terrorism and serious and organised crime. On the latter, the Maltese Presidency aims to steer the conclusion of the current Policy Cycle (2013-2017) and advance plans for the next Policy Cycle. Also, in line with the Commission Action Plan for Strengthening the Fight Against Terrorist Financing, the Maltese Presidency will take forward discussions on the proposed legislative instrument on combating fraud and counterfeiting on non-cash means of payment. Moreover, this Presidency will also take forward the legislative negotiations relating to the Schengen Information System (SIS II).

The Maltese Presidency will also ensure follow-up on the Roadmap to enhance information exchange and information

management including interoperability solutions in the Justice and Home Affairs area, for instance by following up on the work of the High Level Expert Group on Information Systems and Interoperability.

▶ Other Issues

The Maltese Presidency will continue to work towards the implementation of the EU Drugs Strategy 2013-2020. It will take forward the preparations of the Action Plan for the period 2017-2020², following the external mid-term assessment of the EU Drugs Strategy in 2016. The Maltese Presidency will also strive towards the finalisation of the New Psychoactive Substances legislation and the proposal amending the European Monitoring Centre for Drugs and Drug Addiction (EMCDDA). It will also co-ordinate the process following the United Nations General Assembly Special Session (UNGASS 2016) and the preparations for the 2019 review of the 2009 Political Declaration.

The Maltese Presidency will also take work forward in the newly formed Cyber Issues Horizontal Working Party, with meetings taking place at both Attaché and Capital levels. Special attention will be given to increasing Cyber Security Awareness, emphasising dialogues on the potential impacts incurred by SMEs and citizens when connected to Cyber Space, highlighting the importance of Cyber Hygiene. The Presidency will also include discussions on the Cyber Diplomacy Toolbox scheduled for presentation by the European External Action Service in February 2017.

² The current Action Plan is for 2013-2016.



► Employment and Social Policy

The main theme of the Maltese Presidency in the field of Employment and Social Policy will be Making Work Pay. To this end, Malta will prepare draft Council conclusions with the aim of promoting initiatives aimed at incentivising those in unemployment to enter the labour market. Consequently, this will help attract individuals back into employment, preventing labour inactivity and thus minimising the risk of poverty and social exclusion.

The Maltese Presidency will place considerable importance on the labour mobility package, and will strive to facilitate the negotiations regarding the targeted revision of the Posting of Workers Directive, for which discussions have been held under both the Netherlands and the Slovak Presidencies. The Presidency will strive to guarantee that workers across the Union can enjoy a level playing field, while safeguarding the competitiveness of service providers, therefore working towards achieving a free and fair internal market.

In addition to this, the Maltese Presidency will initiate the discussions on the revision of Regulation 883/2004 on the coordination of social security systems.

The Maltese Presidency will also seek to continue the work related to the protection of workers against work-related cancer through the negotiations on the revision of the Carcinogens Directive. The Maltese Presidency will enter into discussions with the European Parliament and the European Commission, on the first batch of carcinogens

on which a General Approach was reached in October 2016, and will also facilitate the discussions on the proposal for a second batch of carcinogens to be adopted by the European Commission, with the aim to reach a General Approach.

The Maltese Presidency will also seek progress in the negotiations with the European Parliament on the revision of the Founding Regulations of the three tripartite agencies (European Agency for Health and Safety at work (EU-OSHA), European Foundation for the Improvement of Living and Working Conditions (EUROFOUND) and the European Centre for the Development of Vocational Training (CEDEFOP)).

Equal treatment will be one of the main objectives of the Maltese Presidency in the field of employment and social policy. With the objective of addressing the lower participation of women in the labour market, the Maltese Presidency will support discussions on measures aiming to eliminate current challenges hindering women's economic independence. The Maltese Presidency will be discussing draft Council conclusions on the Upscaling of Skills of Women and Men in the EU Labour Market. Furthermore, the Maltese Presidency will undertake to progress the discussions on outstanding files related to equal treatment, particularly on the proposal for a Directive on improving gender balance among directors of companies listed on stock exchanges and related measures, as well as on the proposed Directive on implementing the principle of equal treatment between persons irrespective of religion or belief, disability, age or sexual orientation, which



would prohibit discrimination on such grounds (Anti-Discrimination Directive). The Maltese Presidency will also facilitate the coordination of an EU position and presence at the UN Commission on the Status of Women. A Ministerial Level Conference on LGBTIQ issues will also be held in order to further explore the Commission's roadmap on LGBTIQ rights, which was presented during the Netherlands Presidency. The Presidency will also strive to take forward the discussions on the European Accessibility Act.

Further to the outcome of the public consultation launched by the Commission in 2016 with regard to the European Pillar of Social Rights, the Maltese Presidency will initiate the discussions in Council on this dossier that will cover initiatives aimed at addressing the challenges of work-life balance faced by working families, access to social protection, as well as the implementation of the Working Time Directive, among others.

The Maltese Presidency will also ensure that the EPSCO Council will, together with the other relevant Council formations, take forward the European Semester process.

► Health

In the field of Health, the Maltese Presidency will build on the EU momentum in tackling the increasing incidence of childhood obesity which has reached epidemic proportions across the globe. The negative impacts that childhood obesity bears on health, productivity, quality of life,

longevity and the significant related social and economic costs are well known. The Maltese Presidency has, therefore, identified the fight against childhood obesity as one of the most pressing priorities.

► Non-Communicable diseases

To this effect the Maltese Presidency will build on the work being done at EU level in collaboration with key technical experts across Member States to further the work done in this area. The Maltese Presidency will work to identify evidence-based interventions across Europe in tackling childhood obesity and disseminate such as good practice. Furthermore, the Maltese Presidency, together with the European Commission, will look into the findings of the mid-term evaluation report (2014-2020) on the EU Action Plan on Childhood Obesity and identify key areas that call for further actions. Following this, the Maltese Presidency will present draft Council conclusions for negotiation, with the aim to determine actions in order to achieve the overarching goal, that is, to halt the rise in overweight and obesity in children and young people (0-18 years) by 2020.

Public entities are amongst the largest procurers which have the power to influence eating behaviours. Having this in mind, the Maltese Presidency, together with the High Level Group on nutrition and physical activity and the Joint Research Council, are drafting voluntary guidelines for the procurement of healthy food for consumption in schools. The ultimate aim of this exercise is to encourage healthy eating behaviours at an early stage in life.



▶ Structured Cooperation between Health Systems

The Health Systems of Member States face common challenges which can be mitigated when Member States work together in synergy. The Maltese Presidency will work to identify mechanisms of voluntary structured cooperation between health systems driven by Member States, to further support Member States and provide tangible benefits for health professionals and patients. The two areas which have been identified are: structured cooperation to improve access to innovative health technologies for Rare Diseases in the EU and cooperation to address the EU health workforce challenges, with a focus on that associated with the provision of highly specialised health services. These initiatives would need to be backed by appropriate cross-border IT infrastructure that facilitates the secure and efficient exchange of personal health data and other health-related information between authorised healthcare providers.

“Data for Health” - The key to personalised sustainable care is the central theme underpinning the eHealth Week 2017 organised by the Maltese Presidency together with the European Commission, the World Health Organisation and HIMSS Europe. eHealth Week 2017 will gather stakeholders from across the globe to address international topics related to healthcare IT, including cross-border exchange of personal health data and European Reference Networks.

European trends showing an upsurge in levels of HIV call for immediate fast track concerted public health action at EU level. The Maltese Presidency, in collaboration with the European Commission and the European Centre for Disease Prevention and Control (ECDC), will bring together leading experts on HIV prevention and control to discuss how Europe can improve its response to HIV and achieve the targets outlined in the Sustainable Development Goals, the actions agreed at the UN High-Level meeting on HIV/AIDS and those adopted in the Global Health Sector Strategy at the 69th World Health Assembly.



COMPETITIVENESS



► Internal Market

Boosting the Digital Single Market and removing barriers in the Single Market are essential means for driving economic growth across the Union. As the smallest EU Member State with an open services economy, Malta remains a strong advocate for the internal market, and will work as a Presidency to strengthen it for the benefit of European businesses, particularly SMEs, as well as consumers. The Maltese Presidency is committed to making progress on the legislative dossiers issued under the Digital Single Market strategy, presented in May 2015 and the Single Market strategy on goods and services presented on 28 October 2015. In the context of the Digital Single Market strategy, the Maltese Presidency will give priority to the e-commerce package and take forward discussions on the proposed Regulation on cross-border portability of online content services in the internal market. The Maltese Presidency will also take forward discussions on the copyright reform.

Furthermore, the Maltese Presidency intends to build on the work done by the Slovak Presidency on the Proposal for a Regulation of the European Parliament and of the Council on cooperation between national authorities responsible for the enforcement of consumer protection laws, with the aim to reach a General Approach.

The Maltese Presidency also welcomes the Commission's plans, in the framework of the Single Market strategy, to issue its Services Package. It will seek to take forward the debate on the legislative initiatives under this package while it will initiate discussions on the upgrading of SOLVIT and the Single Market Information Tool which are part of the Enforcement Package together with the Single Digital Gateway.

The Maltese Presidency will continue to promote the Better Regulation Agenda and will focus on the reinforcement of existing tools, including simplification tools and initiatives such as the Regulatory Fitness and Performance (REFIT) Programme, the REFIT Platform, the REFIT Scoreboard and Quantification of impacts on competitiveness.

Evaluation and impact assessments of Single Market legislation with a sharper focus on SMEs, competitiveness and the digital dimension will be the priorities for the Maltese Presidency in this regard. Furthermore, the Maltese Presidency intends to adopt a practical approach by linking Better Regulation to improving Europe's industrial competitiveness through the exchange of best practices and experiences between Member States.

► Industrial Competitiveness and Small and Medium Sized Enterprise Policy

European businesses continue to face a number of challenges. Competitive pressure and access to finance for SMEs, are amongst the challenges encountered. Financial support for SMEs and fostering the Union's international competitiveness are, therefore, core priorities for the Maltese Presidency. It will endeavour to further build on the work carried out by its Trio partners on the Digitisation of Industry, logistics, and improving the overall investment and ecosystem for SMEs. The Maltese Presidency will also be working on the Commission Communication on the Start-up and Scale Up initiative and relating this to the non-legislative areas of the Capital Markets Union Action Plan.



► Company Law

The Maltese Presidency intends to build on the work carried out by the Netherlands and Slovak Presidencies continuing the work on the Country By Country Reporting dossier. It is our intention to keep contact with both the Commission and the European Parliament pending the EP's report on the Commission proposal. The Presidency will continue the work started by the Slovak Presidency with regard to the proposal for a Regulation of the European Parliament and of the Council on establishing a Union programme to support specific activities in the field of financial reporting and auditing for the period of 2014-2020 - prolongation for European Financial Reporting Advisory Group (EFRAG) 2017-20. Our objective is to find an agreement with the European Parliament in a timely manner, in order to allow for the continuity of financing of EFRAG which is the basis for continuity of its operations.

► Tourism

Tourism is a major contributor to the European economy. The Maltese Presidency will encourage discussions on how to maintain and strengthen the EU's market share and increase competitiveness in this sector through the improvement of the overall European tourism product in a sustainable manner. The Maltese Presidency also believes that the completion of the Digital Single Market can serve as an opportunity for the European Tourism industry to tap into new global markets while increasing intra-EU tourism. A high level conference which will bring together policy makers and stakeholders to discuss these issues will be organised during the Maltese Presidency.

► Research and Innovation

Strengthening Euro-Mediterranean Cooperation in Research and Innovation, primarily through the Partnership for Research and Innovation in the Mediterranean Area (PRIMA) will be a priority during the Maltese Presidency. Malta's role will be that of ensuring progress on the legislative deliberations on the PRIMA initiative.

The Maltese Presidency also intends to focus on streamlining the research and innovation monitoring and reporting landscape, the aim of which would be to identify areas where monitoring and reporting burdens in the European Research Area (ERA) could be reduced.

Negotiations on a revised financial framework for the International Thermonuclear Experimental Reactor (ITER) are also expected to occupy a prominent place during the Maltese Presidency. Preparatory work on the interim evaluation of Horizon 2020 may also be undertaken, when necessary and appropriate, and respecting the Commission's envisaged timeframes on the interim review exercise.

► Space

The Space Strategy for Europe will be the primary focus of discussions within the Space Working Party in the first half of 2017. The Maltese Presidency will aim to reach an agreement on a set of Council conclusions in reaction to the Strategy. Other space-related dossiers may be included in the Presidency's agenda, depending on the timing and pace of the Commission's work in this respect.







TRANSPORT, TELECOMMUNICATIONS AND ENERGY



► Strategy for a European Energy Union

The objective of a resilient Energy Union with an ambitious climate policy aimed at giving EU consumers secure, sustainable, competitive and affordable energy will steer the work of the Maltese Presidency. Work will focus on the Commission's legislative proposals underpinning the Energy Union Strategy and its mutually reinforcing dimensions: supply, security, a fully internal energy market, energy efficiency, decarbonisation of the economy, research, innovation and competitiveness. The Maltese Presidency intends to build on the work done by the Netherlands and Slovak Presidencies.

A key element during the Maltese Presidency semester will be to commence and advance discussions on the Energy Efficiency proposals with the intention of reaching a general approach. The proposals will consist of the review of the Energy Efficiency Directive and the review of the Energy Performance of Buildings Directive, as a first step towards the ambitious goal of achieving a low-carbon, competitive and sustainable EU economy.

The Maltese Presidency will also endeavour to reach a political agreement with the European Parliament on the review of the Regulation on Security of Gas supply. The Presidency believes that this Regulation is a key element in ensuring a strengthened security of energy supply for all EU citizens particularly in times of crisis. In addition, the Maltese Presidency will also seek to initiate discussions on the remaining proposals of the 'Clean Energy for all Europeans Package' published by the European Commission on 30 November 2016. In addition, the Maltese Presidency will also work towards reaching a political agreement with the European Parliament on the Energy Efficiency labelling proposal.

► Euro-Med Cooperation on Energy

Regional cooperation is encouraged across all five dimensions of the Energy Union and the engagement of Member States together with other actors in regional initiatives. This is a clear acknowledgement of the importance of a regional dimension to energy policy, especially in view of the Commission's non-binding guidance on horizontal elements of regional cooperation, such as the organisational structure and regional processes.

In its endeavour to strengthen and further the work on regional cooperation, the Maltese Presidency will strive to highlight the enriching potential of the Mediterranean region as a source of energy diversification. The opportunities for Euro-Med cooperation will also be the subject of the High Level Ministerial meeting scheduled to be held in Malta in May 2017, whereby EU Member States and Euro-Med countries will be able to build on the best practices of existing regional cooperation.

► Integrated Maritime Policy

The EU is, and will increasingly be dependent on the seas and oceans. It has therefore adopted a holistic approach to all marine and maritime issues through the EU Integrated Maritime Policy. In addition, the maritime sector provides a diverse spectrum of innovative research activities that could be tapped into and developed into high value-added job opportunities, in line with the Blue Growth Initiative towards growth and competitiveness. The Integrated Maritime Policy is the ideal framework for an expansion of the Blue Economy in a sustainable manner and it ensures the safeguarding of the sea environment and marine biodiversity.





In this context, the strategic geographical position of Malta which has been at the centre of maritime activity in the Mediterranean for ages, provides a good opportunity for the Maltese Presidency to further evaluate the potential of the seas and oceans. Malta's exclusive position provides additional thrust to develop and conclude dossiers in relation to Nautical Tourism. Nautical and maritime tourism is considered an important subsector of tourism, and the largest maritime activity in Europe, which could foster sustainable growth and jobs in the blue economy for Europe. The Maltese Presidency will address the results of the Commission's study on nautical tourism with a focus on recognition of qualifications of skippers and the recycling of small boats.

International Ocean Governance will also be formally put on the Maltese Presidency's agenda, with the aim of ensuring sustainability of our oceans. The Commission put forward a Communication, together with a set of recommendations, on how best to develop a more coherent, comprehensive and effective EU policy to improve the international ocean governance framework. The Maltese Presidency's role will be to try and reach a political endorsement on the way forward with respect to Ocean Governance through a Ministerial Declaration and stand alone Council conclusions. An Informal Ministerial Conference organised in Malta will also encourage further discussions under the blue growth umbrella. Furthermore, this will prepare the groundwork and be the main thrust towards the preparation for the "Our Ocean" Conference which will be organised in Malta in October 2017.

Furthermore, as a Mediterranean country, Malta as a Presidency intends to work on developing a Western Mediterranean Sea Basin Initiative in the context of blue growth whilst ensuring a sustainable approach. The Western Mediterranean Sea Basin Initiative is expected to be launched in Spring 2017, provided that the necessary endorsement by the Member States is forthcoming. The

Initiative will build on existing structures to improve maritime governance (with the aim of achieving a level playing field in the region), exploit strengths and address weaknesses, whilst ensuring a sustainable approach. In this regard, the Maltese Presidency will push forward the development of a Maritime Initiative for the Western Mediterranean. The work done in this regard will feed into the Ministerial Declaration and Integrated Maritime Policy Council conclusions..

► Maritime

With respect to the transport sector, the European Commission is dedicating 2017 to maritime transport. Challenging times are ahead. The maritime sector will be a key priority during the Maltese Presidency. The priority is not only a result of the geographical circumstances but also of the manner in which the sector has developed in Malta. To this effect, a Ministerial Stakeholders Maritime Conference will be held in Malta so as to stimulate dialogue between the industry and policy makers. In this regard, the stakeholders would come together to discuss issues that would have an impact on the maritime industry and other related industries. It is expected that the Commission would present the initial results of the eManifest "pilot" project, with the scope of instigating a number of political discussions on the way forward towards facilitating maritime transport of goods. In the first half of its Presidency, Malta will follow-up on the evaluation and revision process being carried out by the Commission on a number of maritime legislative files, including the Reporting Formalities Directive, to further enhance Digital Maritime Systems and Services.

The Port Reception Facilities Directive is a key instrument for achieving a Greener Maritime Transport, and aligning EU law with international obligations. The Directive is the main policy instrument for tackling sea based sources of marine litter. It is, therefore, the Presidency's intention to take up the



expected legislative proposal. Moreover, the Maltese Presidency looks forward to continue working on the review of Passenger Ship Safety legislation and the Proposal on Professional Qualifications in Inland Waterways, possibly concluding trilogues.

The Maltese Presidency is keen on working on the Review of the EU Maritime Transport Strategy 2018 with the possibility of adopting a Declaration focusing on enhancing existing policy areas to strengthen the competitiveness of the EU maritime sector. The Maltese Presidency intends to work towards establishing a sound EU political direction by endorsing the Maritime Declaration through Council conclusions. Future EU policies should be based on the same basic principles of the current strategy, that is the ability of the maritime transport sector to provide cost-efficient maritime transport services adapted to the needs of sustainable economic growth of the EU and world economies and the long-term competitiveness of the EU shipping sector, enhancing its capacity to generate value and employment in the EU, both directly and indirectly, through the whole cluster of maritime industries.

► Land Transport

In the area of land transport, the Maltese Presidency will take forward the discussions on the Proposal for a review of the Directive on the Certification of Professional Competence concerning the initial qualification and periodic training for truck and bus drivers. This contributes to the overall effort to increase safety on European roads and the overarching objective to reach the European Union's 2020 target of halving road fatalities. In this context, and also with a view to reducing serious

injuries on our roads, the Maltese Presidency will be holding a High-Level event on Road Safety bringing together industry stakeholders, road safety experts, and Ministers to discuss the current state of play on EU road safety and propose actions for improvement through Council conclusions providing future political direction. Moreover, the Maltese Presidency intends to work on a proposal for Rail Passenger Rights, as well as proposals on the international road haulage market.

► Aviation Package

The Aviation Package is an initiative which generates growth, fosters innovation, develops the internal market and strengthens Europe's role as a global actor. In this regard, the Maltese Presidency is set to address the challenges by addressing regulatory concerns, while at the same time facilitating development of the economic aspect of aviation which would contribute to economic growth and job creation.

During its Presidency, Malta will seek to reach an agreement with the European Parliament on the revised European Aviation Safety Agency (EASA) Regulation. Moreover, it will kick-off discussions on the Unfair Pricing Regulation and strive to achieve as much progress as time permits. Furthermore, in consultation with other Member States, Malta will also seek to make further progress on negotiating mandates for air transport agreements with third countries stemming from the Aviation Package.

Regarding the Gibraltar issue, should there be a political solution, or a possible compromise that can be supported by both Spain and the United Kingdom, the Maltese Presidency will continue to work on the blocked files.

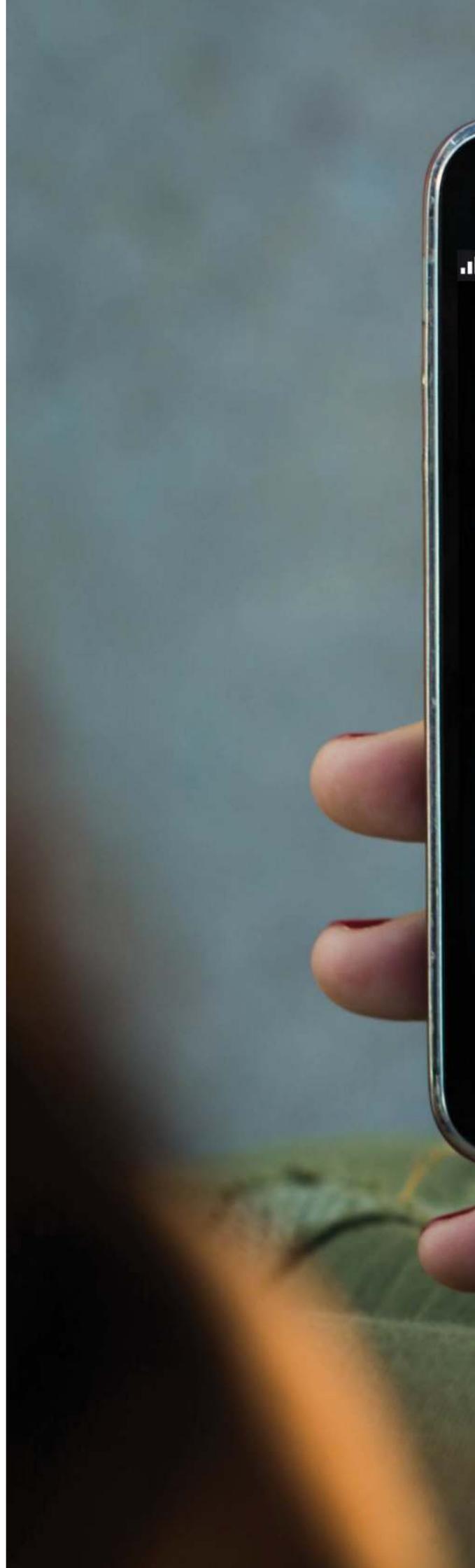






► Telecommunications sector

The global economy is rapidly becoming digital. Information and Communications Technology (ICT) is no longer a specific sector. The Digital Single Market (DSM) strategy has garnered great importance at EU and Member State level. It is a step in the right direction that proposes a number of initiatives to help maximise the growth potential of the digital economy. The immediate priority of the Maltese Presidency will be the conclusion of the wholesale roaming review file. Malta will be hosting the Digital Assembly in mid-June. This event will coincide with the end of roaming charges in Europe. The Maltese Presidency will also push forward the discussion on the Telecoms Framework review. Malta will pursue the negotiations on the framework review and will strive to advance as much as possible. A modern regulatory framework will strengthen competitiveness and investment in the telecommunications sector. Other dossiers which will feature during the Maltese Presidency include the Cross-Border Parcel Delivery proposal and the recent proposal on WiFi4EU.





ROAMING



ON



AGRICULTURE AND FISHERIES



► Agriculture

Notwithstanding the challenges faced by the agricultural sector in recent months, following persistent difficulties and unprecedented developments, the first signs of improvement within the agricultural markets have been observed. Despite the registered upturn, the Maltese Presidency will continue to monitor the situation and facilitate discussions so that an appropriate way forward is sought and pursued. The Maltese Presidency is also committed to lead discussions with regard to the Omnibus Proposal. The Council will be regularly updated with respect to ongoing trade negotiations to give Member States the opportunity to express their views.

In recent years most Member States have been affected by extreme weather events and changing rainfall patterns. Owing to the interdependence of agriculture and climate, the Maltese Presidency will endeavour to explore ideas on how to adapt to changing climate regimes. This will be achieved through the sharing of best practices with a particular focus on research and innovation in the field of water management.

With respect to the agenda for forests, the Maltese Presidency will ensure that sustainable forest management and trade in legally produced timber are promoted at an international level. The Presidency will strive to reach a balanced EU position which reflects the EU efforts to protect and sustainably manage forests, eventually presenting this position at the 12th Session of the United Nations Forum on Forests in New York in May 2017.

With respect to ongoing legislative proposals, the Maltese Presidency will strive

to build on the work carried out by its predecessors to ensure continuity in the work of the Council.

► Emergency Preparedness for Plant and Animal Health

The new legislative framework for animal and plant health reflects the need for improved systems of emergency preparedness across the EU as they aim to respond to the growing challenges of changing climatic conditions and trade trends. The Maltese Presidency will actively support Europe's shift towards greater resilience in the fields of plant and animal health, by promoting the need for a higher level of preparedness and awareness within Europe and in its neighbouring regions.

► Antimicrobial Resistance

The Maltese Presidency will build on progress made by previous Presidencies to combat antimicrobial resistance by making concrete and substantial progress on the Regulations on Veterinary Medicinal Products and Medicated Feed.

► Common Fisheries Policy

The Maltese Presidency is fully committed to sustainability and will work relentlessly towards this goal. The Presidency will continue with the Trio's work towards the adoption of a number of key legislative texts, intended to put the reformed Common Fisheries Policy into practice. In addition, it will work in hand with delegations, the European Parliament and the Commission. In particular, the Presidency will support a Commission initiative intended to deliver an international



declaration outlining a way forward for the Mediterranean, by facilitating dialogue between Member States and Third Country partners.

► **Technical Measures Regulation**

On 11 March 2016, the Commission put forward a Proposal on the conservation of fishery resources and the protection of marine ecosystems through technical measures. This seeks to bring together the numerous Regulations containing technical measures in the fisheries sector. This key dossier will be high on the agenda and will help the EU to achieve the objectives of the Common Fisheries Policy reform. It is being envisaged that a general approach or negotiating mandate be reached during the Maltese Presidency. Malta will also start trilogues with the European Parliament under its term.

► **ICCAT Transposition**

The Commission presented its proposal for a Regulation laying down conservation, control and enforcement measures applicable in the Convention Area of the International Commission for the Conservation of Atlantic Tunas (ICCAT) on 17 June 2016. The proposal aims at implementing ICCAT recommendations into EU law, with the exception of the existing ICCAT recovery plan for Bluefin tuna in the eastern Atlantic and the Mediterranean. The Slovak Presidency initiated and concluded an article by article examination of the proposal with the aim of reaching a negotiating mandate. The Slovak Presidency has reached a negotiating position, and trilogues can take place under the Maltese Presidency. Efforts are being made with the European Parliament in order to accelerate their work on this file.

► **North Sea Plan**

The article-by-article examination on the proposal on establishing a multi-annual plan for demersal stocks in the North Sea will continue during the Maltese Presidency. The Maltese Presidency will aim to obtain a general approach on this file.

► **Small Pelagic Species in the Adriatic**

An article-by-article examination is expected to take place during the Maltese Presidency with regard to the proposal regarding a multiannual plan on small pelagic species in the Adriatic.

► **External Fishing Fleet**

The main aim of the proposal for a Regulation of the European Parliament and of the Council on the sustainable management of external fishing fleets is to modernise and simplify the current framework for EU vessels outside EU waters, by setting a level playing field and creating transparency. Negotiations with the European Parliament are expected to be in an advanced stage under the Maltese Presidency.

► **Demersal Fisheries in North Western Waters, South Western Waters, and Western Mediterranean**

During the Maltese Presidency, the Commission may present three other multiannual plans. The Maltese Presidency will work on an article-by-article examination of these proposals once presented.







ENVIRONMENT



The Environment Council agenda during the Maltese Presidency will strive to deliver tangible results in the EU's gradual shift towards smart, sustainable and inclusive growth, while also safeguarding the environment and human health. The Green and Blue Growth agendas will be crucial for achieving these results. The Presidency will, therefore, focus on initiatives that will promote a competitive, resource-efficient and low-carbon economy within the framework of the 2030 Sustainable Development Agenda.

► **Follow-up to the Paris Agreement and the international climate agenda**

The Maltese Presidency will continue to build on the momentum achieved through the Ratification of the Paris Agreement, and will focus on the UNFCCC negotiations in the aftermath of the COP22 in Marrakech. The Paris Agreement has given fresh impetus to the climate change adaptation discussion and the Presidency will seek to address this topic, also in the context of the ongoing work on of the EU's Climate Change Adaptation Strategy.

► **Emissions reduction in the Emissions Trading Scheme and non-Emissions Trading Scheme sectors**

The Maltese Presidency will build on the work already carried out on the 2030 Climate and Energy Framework.

On the proposal on the revision of the Emissions Trading Scheme, the Presidency will seek to make concrete and substantial progress. The Maltese Presidency will also advance discussions on the Commission proposals on the sectors not covered by the Emissions Trading Scheme, namely the Effort Sharing Regulation and the Land Use, Land Use Change and Forestry Regulation. The Presidency will also give due attention to the EU's follow-up on aviation emissions, following the International Civil Aviation Organisation (ICAO) General Assembly.

► **Circular Economy Package**

The Maltese Presidency will further advance the Circular Economy agenda, by making substantial progress in the negotiations relating to the legislative proposals to amend six Waste Directives. The Maltese Presidency will also attempt to promote discussions on marine litter and the plastics strategy expected by the end of 2017.

► **Other issues**

The Maltese Presidency will also attempt to make progress on other open files where possible, such as the Euro 5/6 proposal, as well as new files, such as the amendment to the scope of the Restriction of Hazardous Substances (RoHS) Directive, the recast of the Persistent Organic Pollutants (POPs) Regulation, the Fitness Check of the Birds and Habitats Directives, and the Environmental Implementation Review.

EDUCATION, YOUTH, CULTURE AND SPORT



► Education

The Maltese Presidency will focus on the relevance of achieving a High Quality Education For All through 'Inclusion in Diversity' with a view to draw up Council conclusions on this theme. The quality and relevance of education should be linked to the requirements of the labour market and directed towards the provision of relevant skills, aptitudes and life-long values required to become active citizens. In this context, education systems should be more inclusive and capable of moving away from a 'one-size-fits-all' approach to one that is just, flexible, diversified and comprehensive. In this regard, focus will be placed on inclusiveness as a primary element for effective education mechanisms to ensure long-term effectiveness and quality retention, whilst concurrently taking into account the relevance, function and incorporation of digital skills.

The Maltese Presidency will also strive to make progress on the New Skills Agenda for Europe, the proposal for a Council Recommendation on the European Qualifications Framework for lifelong learning, and the proposal for a Decision on Europass.

► Culture

The Maltese Presidency intends to take the Joint Communication 'Towards an EU Strategy for International Cultural Relations' forward by means of Council conclusions, with a view to providing the framework for our next steps in the field of cultural diplomacy, in full cognisance of EU and Member States' spheres of competence. The Maltese Presidency will also endeavour to bring the proposals for Decisions for a European Year of Cultural Heritage 2018 and the European Capitals of Culture 2020 to 2033 to a close.

► Audiovisual

The Maltese Presidency intends to build on the work already carried out and achieve considerable progress on the proposal for a revised Audiovisual Media Services Directive, which it considers to be both timely, in view of the major market and technological changes in the sector and opportune, in light of achieving a connected Digital Single Market. The Maltese Presidency may also finalise a Council Implementing Decision extending the period of entitlement of the EU-Korea Audiovisual Co-Production Agreement by a further three years.



► Youth

The Maltese Presidency will focus on the role of youth work in supporting young people's development of essential life skills, facilitating their successful transition to adulthood, citizenship and working life, including those at risk of marginalisation, in order to draw up Council conclusions on this basis. In addition, the Maltese Presidency intends to finalise the Fifth Cycle of the Trio Structured Dialogue on enabling young people to engage in a diverse, connected and inclusive Europe, and to work towards setting the priorities for the incoming Trio Cycle. The Maltese Presidency also welcomes the Commission's mid-term review of the EU Youth Strategy and aims to respond to it by means of Council conclusions. It also welcomes the

Commission's first phase of the new Youth Initiative and intends adopting Council conclusions on this initiative.

► Sport

In line with the objectives set out in the EU 2020 Strategy, the Maltese Presidency intends to focus on sport as a platform for social inclusion through volunteering by means of Council conclusions, targeting in particular the most vulnerable. The Maltese Presidency is also tasked with preparing and developing an EU Sport Work Plan for the next period which will take into consideration the Commission's evaluation report of the current Sport Work Plan (2014-2017). A Resolution finalising this process is to be adopted during the Ministerial Council.



Priority dossiers under the Maltese EU Council Presidency

INTRODUCTION

Malta will hold the EU Council Presidency from January to July 2017. Its Presidency will bring to an end the Trio Presidency composed of the Netherlands, Slovakia and Malta. This is the first time Malta holds the rotating presidency. Malta is currently led by a Socialist government, with Joseph Muscat as its Prime Minister. Prime Minister Muscat was a Member of the European Parliament between July 2004 and January 2007. He has been Prime Minister since 2013. The next general elections are due in 2018.

Malta is a republic with a unicameral parliamentary system. Parliament is composed of representatives of two main political parties – the Nationalist party, which is a Christian-Democratic party and the Labour party, a Social-Democratic party.

POLITICAL PRIORITIES OF THE MALTESE PRESIDENCY

Six over-arching priorities have been identified by the Maltese government, as follows:

- Migration
- Single market
- Security
- Social inclusion
- Europe's Neighbourhood
- Maritime sector

The Maltese Presidency is also cognisant of the impact a potential triggering of Article 50 by the British government will have on the future of the EU, and is preparing for a potential start of negotiations on a British exit from the EU. Prime Minister Theresa May has announced the notification under Article 50 by the UK government can be expected by March 2017.

This note looks at the Maltese Presidency priorities in Part A, together with the most important dossiers which the European Parliament will need to address in the coming six months, in Part B.

PART A: MALTESE PRESIDENCY PRIORITIES

1. MIGRATION

Migration and asylum will be high on the agenda of the Maltese Presidency. The objective will be to push for the swift implementation of the measures already agreed to, particularly the European Agenda on Migration and the related packages already proposed and those announced in the Commission Work Programme (CWP) for 2017. Specifically, the Presidency intends to take forward the fight against illegal migration on the basis of the Action Plan against Migrant Smuggling and the Action Plan on Returns. The Presidency will also push for the implementation of Council Decisions on relocation of 160 000 persons in need of international protection.

Ongoing legislative files

- Revision of Dublin Regulation *2016/0133(COD)* (this is currently the most sensitive legislative dossier in the field of asylum law on which work is ongoing in LIBE committee)
- a revision of the Blue Card Directive *2016/0176(COD)* (this is part of the legal migration package)
- Entry/Exit System (two proposals – one establishing the Entry-Exit system *2016/0106(COD)* and the other amending the Schengen Regulation *2016/0105(COD)* (the new system would be used for registering the date of all third-country nationals entering and exiting the EU)
- International Protection: Crisis relocation mechanism *2015/0208(COD)*
- Establishing an EU common list of safe third countries of origin *2015/0211(COD)* (negotiations are ongoing under the Slovak Presidency)
- Establishment of EURODAC for the comparison of fingerprints *2016/0132(COD)*

There are a number of other important legislative proposals on asylum, which the LIBE committee is currently reviewing, and on which a mandate for negotiations could potentially be agreed in committee in March 2017. These are:

- European Union Agency for Asylum *2016/0131(COD)* (this would convert the current Asylum Office located in Malta into a fully fledged EU agency)
- Standards for the reception of applicants for international protection *2016/0222(COD)*
- Standards for the qualification of third-country nationals or stateless persons as beneficiaries of international protection *2016/0223(COD)*
- Common procedure for international protection in the Union *2016/0224(COD)*
- Union Resettlement Framework *2016/0225(COD)*

One other important file is the establishment of a European Travel Information and Authorisation System (ETIAS) *2016/0357(COD)*, which the Commission tabled in November this year and which may be treated with sufficient urgency as to come to an agreement during the Maltese Presidency.

2. SINGLE MARKET

The Single Market has always been seen as the biggest asset of the EU. The Presidency aims to work on legislation already presented regarding the Single Market strategy and the Digital Single Market.

Ongoing legislative files

- Promotion of internet connectivity in local communities (known as Wifi4EU) *2016/0287(COD)*
- Regulation on Geo-Blocking *2016/0152(COD)* (IMCO plans to vote in April 2017)
- Review of the Consumer Protection Cooperation Regulation *2016/0148(COD)*
- Cross border parcel delivery Regulation *2016/0149(COD)*
- Rules for wholesale roaming markets *2016/0185(COD)* (*this file needs to enter into force on 15 June 2017 at the latest; hence it will be a first priority for the Maltese Presidency*)
- Telecoms Reform: European Regulators for Electronic Communications *2016/0286(COD)* & European Electronic Communications Code *2016/0288(COD)*

The proposal on the approval and market surveillance of motor vehicles *2016/0014 (COD)* will likely be voted by the IMCO committee at the beginning of 2017 and can be expected for negotiations with the Maltese Presidency early next year.

On the subject of copyright, the Commission proposed an important package in September 2016 composed of two regulations and two directives. The proposal for a directive on copyright in the Digital Single Market, *2016/0280(COD)* and the regulation on the exercise of copyright applicable to online transmissions *2016/0284(COD)* will ensure better choice and access to content online. The proposals on cross-border exchange with third countries of certain works for the visually impaired *2016/0279 (COD)* and the harmonisation of copyright in the information society *2016/0278(COD)* will implement the Marrakesh Treaty into EU law. JURI is the committee responsible.

Also ongoing is the Digital Contracts package presented in December 2015, composed of a proposal for a regulation on cross-border portability of online content services (*2015/0284(COD)*) and two proposals for directives on contracts for the online sale of goods *2015/0288(COD)* and contracts for the supply of digital content *2015/0287(COD)*. As the JURI committee will likely adopt a mandate for negotiations on cross-border portability of online content services before the end of 2016, this file could be negotiated under the Maltese Presidency. With regard to contracts for the supply of digital content, the JURI and IMCO committees could vote in the first semester of 2017 and hence negotiations could start under the Maltese Presidency and be carried on by the Estonian Presidency.

Finally the amending directive on audiovisual media services: changing market realities *2016/0151(COD)* aims to extend the scope of the legislation to video-sharing platform services, as well as to better protect minors and promote European works. The CULT committee is expected to vote on this file in January 2017 and it would therefore be negotiated by the Maltese Presidency.

3. SECURITY

The EU is increasingly confronted with major security challenges, and the last couple of years have necessitated a shift in the direction of counter-terrorism capacity.

The implementation of the Agenda for Security 2015-2020 and the Renewed Internal Security Strategy is of key importance to the Presidency. The intention is to take forward the discussion on the fight against terrorism and serious and organised crime.

Ongoing legislative files

- New Psychoactive Substances 2016/0261(COD)
- Money laundering or terrorism financing 2016/0208(COD)
- European Criminal Records Information System (ECRIS) 2016/0002(COD)
- Revision of Eurojust Regulation 2013/0256(COD) and the establishment of a European Public Prosecutors' Office (EPPO) 2013/0255(APP) (intensive negotiations on the EPPO have taken place under the Slovak Presidency but it may be up to the Maltese Presidency to conclude.

One other important dossier connected to the above that has been negotiated under the Slovak Presidency and could very well be concluded is the Directive on the fight against fraud to the Union's financial interests by means of criminal law (PIF) 2012/0193(COD). In the event that the final envisaged negotiation does not give the expected results, this could also become a priority under the Maltese Presidency.

4. SOCIAL INCLUSION

The Maltese Presidency plans to build on the European Commission's presentation of a European Pillar of Social Rights which will identify a number of essential principles common to euro-area Member States, focusing on their needs and challenges in the field of employment and social policies. The proposal is to engage with social partners, civil society and citizens on the content and role of the Pillar to move towards a deeper and fairer Economic and Monetary Union. The Pillar is composed of three main categories, namely: equal opportunities and access to the labour market, fair working conditions and adequate and sustainable social protection. A legislative proposal from the Commission is expected to be tabled in March 2017.

Ongoing legislative files

- Review of Posting of Workers Directive 2016/0070(COD) (dealing with posting of workers when services are provided across borders within the Single Market, this file may be adopted in the EMPL committee in April 2017)
- Accessibility Act
- Protection of workers from exposure to carcinogens or mutagens at work 2016/0130(COD) (EMPL committee plans to adopt the report in February 2017)
- Revision of the Regulation on the creation of a European Foundation for the improvement of working and living conditions 2016/0256(COD)
- Directive on improving gender balance among directors of companies listed on stock exchanges 2012/0299(COD)
- Approximation of the laws, regulations and administrative provisions of the Member States as regards the accessibility requirements for products and services 2015/0278(COD) – IMCO, as lead committee, together with EMPL and TRAN, associated under Rule 54, are expected to vote the final report in March 2017, following which negotiations could commence.

In October 2016, the Commission presented a legislative proposal on a common framework for the provision of better services for skills and qualifications (Europass) *2016/0304(COD)*. The Council could give the Maltese Presidency a negotiating mandate although it is likely this proposal would be dealt with by the Estonian Presidency.

5. EUROPE'S NEIGHBOURHOOD

The Maltese Presidency intends to further support efforts to consolidate and develop Europe's Neighbourhood, with particular attention to be given to the stabilisation of Libya. In this regard it will continue to strengthen relations with the League of Arab States and seek to revitalise relations with Gulf States through the Gulf Cooperation Council. Together with the EU High Representative for Foreign Affairs and Security Policy, the Presidency intends to focus on the Mediterranean, the current migration crisis and the security challenges posed by the Middle East. It will also support the preparations for the fifth EU-Africa Summit to be held in 2017 and will organise a Conference on the Southern Neighbourhood on 29 April 2017 dealing with issues of culture, climate change, youth employment and inter-faith dialogue. It will also carry on the engagement with the Eastern Neighbourhood, including the support for Ukraine and ensuring cooperation with Russia on issues of global and regional concern.

6. MARITIME SECTOR

The Maltese Presidency will work towards an integrated maritime policy for the EU, which includes, amongst others, the marine environment, nautical tourism and the blue economy. The Presidency will also seek the development of a Maritime initiative for the Western Mediterranean as well as the political endorsement of the notion of Ocean Governance. In this regard it will promote the Blue Growth Initiative by holding a Ministerial Meeting on nautical and maritime tourism in April 2017.

Ongoing legislative files

- Review of Passenger Ship Safety legislation *2016/0170(COD)*
- Professional qualifications in Inland Waterways *2016/0050(COD)*

PART B: OTHER ONGOING LEGISLATIVE FILES

FINANCIAL AND ECONOMIC AFFAIRS

The Multiannual Financial Framework (MFF) review 2016/0283(APP) was part of the political agreement on the Multiannual Financial Framework (MFF) 2014-2020 and is provided for in Article 2 of the MFF Regulation. The current MFF was agreed in 2013 against the background of the economic crisis and its impact on public finances. Its review is currently on the table of the two co-legislators. Also related in this regard are the negotiations on the Commission's proposal for the revision of the Financial Rules applicable to the general budget of the Union 2016/0282(COD). The BUDG committee is expected to work jointly with the CONT committee under Rule 55 on this dossier, in line with past practice.

The European Fund for Strategic Investment (EFSI) 2016/0276(COD) mobilised, in its first year of implementation, about €115 billion in investment to boost jobs and growth. Given the results delivered, the Commission has proposed to extend the duration of EFSI until 2020 and to double its financial capacity. The BUDG and ECON committees are jointly responsible and are expected to adopt a position in December 2016/January 2017. The Maltese Presidency would then be charged with starting negotiations.

The new External Investment Plan is composed of three important proposals which pertain to the provision of guarantees by the Union budget, namely the European Fund for Sustainable Development (EFSI) 2016/0281(COD), the Guarantee Fund for external actions 2106/0274(COD), and the EU guarantee to the EIB against losses under financing operations supporting investment projects outside the Union 2106/0275(COD).

With regard to the Banking Union, work should continue on the European Deposit Insurance Scheme, 2015/0270(COD) with a vote in the ECON committee in early 2017 with a view to starting negotiations with the Council.

With regard to the Capital Markets Union, the Securitisation Package could also be expected during the Maltese Presidency. This is composed of two legislative dossiers, Prudential requirements for credit institutions and investment firms 2015/0225(COD) and Common rules on securitisation and creating a European framework for simple, transparent and standardised securitisation 2015/0226(COD). The overall aim is to diversify and improve access to funding for enterprises, especially SMEs which are heavily dependent on banks and consequently face higher costs. Also linked to the Capital Markets Union is the proposal on the Prospectus to be published when securities are offered to the public or admitted to trading 2015/0268(COD). Negotiations are ongoing under the Slovak Presidency.

ENERGY UNION AND CLIMATE CHANGE

Two Energy Security files, one on measures to safeguard the security of gas supply, 2016/0030(COD), and one on intergovernmental agreements in the field of energy, 2016/0031(COD), were voted in the ITRE committee in October 2016 and would therefore likely come up for negotiations under the remit of the Maltese Presidency.

The Circular Economy Package, presented by the Commission in December 2015, amends the three current directives on the landfill of waste 2015/0274(COD), on waste 2015/0275(COD), and on packaging and packaging waste 2015/0276(COD). The End-of-life vehicles, batteries and accumulators and Waste Electrical and Electronic Equipment (WEEE) Directive 2015/0272(COD) is also part of the package. The ENVI committee is expected to finalise its report by January 2017. The Maltese Presidency hopes to present a general approach to the package in February 2017, with negotiations opening in March.

The proposal for a directive to enhance cost-effective emission reductions and low-carbon investments 2015/0148(COD) revises the system of free allocations to focus on sectors at the highest risk of relocating their production outside the EU, updates benchmarks and introduces two new instruments: Innovation and Modernisation Funds. The ENVI committee voted in December 2016, and depending on the outcome in the plenary vote in February 2017, the legislative file could be negotiated under the Maltese Presidency. To date, the Council does not have a general approach on this file. Linked with this is Energy Labelling and Eco-design 2015/0149(COD), which could also meet the same timing.

The proposal for an amending regulation on the reduction of pollutant emissions from road vehicles 2014/0012(COD) aims to improve the efficiency of driving patterns in order to reduce air pollution and GHG emissions. Negotiations have been ongoing for a year. The co-legislators are waiting for a Commission proposal on delegated or implementing acts. This dossier could be concluded during the Maltese Presidency.

EXTERNAL RELATIONS AND TRADE

The Commission made a proposal on 5 July 2016 for an amending regulation establishing an instrument contributing to stability and peace 2016/0207(COD). The aim is to extend the Union's assistance under exceptional circumstances to be used to build the capacity of military actors in partner countries. This proposal seeks to address the EU's need for a stronger Europe when it comes to foreign policy to better contribute to supporting development and securing peace and prosperity in the world. This file could potentially come up for negotiations under the Maltese Presidency as it will deal with funding for the period 2017-2020.

The Maltese Presidency will likewise be involved in the workings of the third EU-Turkey Summit which should take place during its Presidency.

From a trade perspective, the Presidency signals it will work on Market Economy Status for China as well as legislative dossiers such as the modernisation of the Trade Defence Instruments (TDI) 2013/0103(COD) – the Council has agreed its negotiating position on this file on 13 December 2016. The European Council of 18 October 2016 also signalled to the Commission its interest in negotiations on a free trade agreement with Japan, with a view to reaching political agreement by the end of the year.

MAJOR EVENTS DURING THE PRESIDENCY:

- Informal meeting of Heads of State or Government as follow-up to the Bratislava Declaration (3 February 2017)
- 60th Anniversary of the Treaty of Rome (25 March 2017)
- Conference on Sustainable Fisheries in the Mediterranean (29/30 March 2017)
- Conference on the Southern Neighbourhood (29 April 2017)
- Euro-Med Cooperation for Energy Efficiency in the Mediterranean (19 May 2017)
- Digital Assembly (14-16 June 2017)
- High-level meeting of Small States (26/27 June 2017)

This document is also available on the internet at: www.europarl.europa.eu/thinktank

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Maltese Presidency priorities discussed in committee¹

The priorities of the incoming Maltese presidency of the EU Council were outlined to parliamentary committees by Dutch ministers at a series of meetings that took place in January 2017.

Agriculture and rural development: Organics, Omnibus and post-2020 CAP

The Presidency aims to advance negotiations with Council and Commission on the new EU organics law, make progress on the agricultural parts of the so-called Omnibus legislative proposal and launch an in-depth debate on the post-2020 Common Agricultural policy (CAP), Parliamentary Secretary for Agriculture Roderick Galdes told Agriculture Committee MEPs on 26 January.

MEPs welcomed the Presidency's plans to start a debate on the next CAP reform, which, they said, must produce reasonable solutions and simplify farmers' lives. They also called on the Council to show more flexibility in negotiations on the Organics law and to help Parliament to safeguard EU farmers' interests in ongoing and future trade talks, inter alia with Mercosur and Japan.

Employment and Social Affairs: workers' rights, posting of workers, European Accessibility Act

Updating EU rules and protecting workers' rights without hindering the internal market will be the Presidency's focus points, Maltese Minister for Social Dialogue, Consumer Affairs, and Civil Liberties Helena Dalli told the Employment and Social Affairs Committee on 25 January. She advocated a compromise solution for the posting of workers legislation and pledged to push for a modernised concept of work-life balance, thus enabling greater employment of women.

¹<http://www.europarl.europa.eu/news/en/news-room/20170110IPR57653/maltese-presidency-priorities-discussed-in-committee>

MEPs reminded the Presidency to pay more attention to persistent youth unemployment and moving forward with adoption of the European Accessibility Act, common rules which should remove obstacles to disabled and older citizens wishing to access products, services and jobs anywhere in the EU.

Internal market: E-commerce, services, car approval

The single market, "the EU's greatest asset", is a key priority, Minister for the Economy, Investment and Small Business, Christian Cardona, told Internal Market Committee MEPs on 25 January. Single market initiatives should help to improve consumer trust, he said.

Removing barriers to trade, giving consumers more choice, improving SMEs' access to finance, implementing the Single Market Strategy, Digital Single Market plans, the car type approval proposal and the recently presented services package were among the issues discussed with MEPs. On the Digital Single Market, the Presidency will give priority to the e-commerce package, especially to the geo-blocking proposal, and aims to make rapid progress on the consumer protection regulation, Mr Cardona said.

Industry, energy, research: full digitisation and connectivity, PRIMA, energy supply

Concluding negotiations on wholesale roaming and promoting internet connectivity in local communities are the Presidency's priorities, Minister for Competitiveness and Digital, Maritime and Services Economy Emmanuel Mallia, told the Committee on Industry, Research and Energy on 25 January. PRIMA, the partnership for research and innovation in the Mediterranean Area, and strengthening research reporting and monitoring obligations are also among the research priorities said Parliamentary Secretary for Research, Innovation, Youth and Sport Chris Agius.

Minister for the Economy and Investment Chris Cardona said that the digitising industry will be pushed up the agenda, while Konrad Mizzi, Minister within the Office of the Prime Minister, stressed that concluding the files on security of energy supply and energy efficiency labelling are also priorities.

Development: new development policy, migration, refugees

The Presidency wants to follow up on member states' commitments at the World Humanitarian Summit in Istanbul last year, get the new European Consensus on Development on track and improve coordinated responses to protracted crises, George Vella, Minister for Foreign Affairs told the Development Committee on 25 January. Migration is a key issue for Malta, which has been at the forefront of refugee crises in the Mediterranean.

Several MEPs voiced concern about the fate of refugees stranded in extreme cold in Europe and called for swift measures to alleviate their suffering. Others stressed that a long-term vision is painfully absent from EU policy on forced displacement and urged EU countries to make better use of local knowledge in analysing and solving problems.

Transport and tourism: ship and aviation safety, digitisation in mobility

The Presidency plans to put maritime transport high on the political agenda. It hopes to conclude negotiations on updating the passenger ship safety rules and make progress with the directive on port facilities for ship-generated waste, said Minister of Infrastructure and Transport Joe Mizzi told the Transport and Tourism Committee on 25 January. Tourism Minister Edward Zammit Lewis said the Presidency looks forward to starting negotiations with Parliament on aviation safety and the European Aviation Safety Agency soon and called for the single market to be completed, to benefit the tourism sector.

MEPs quizzed the ministers about the Presidency's vision on the upcoming road initiatives, how to highlight opportunities in digitisation for mobility how to boost development on environmentally-friendly maritime transport. Finally, they asked how the Presidency intends to make sure that there is fair competition between rail and road transport.

International trade: free trade deals, TTIP, anti-dumping

The Presidency wants to give new momentum to the EU's free trade deals, but not at the expense of standards, Christian Cardona, Minister for the Economy, Investment and Small Business told the International Trade Committee on 24 January. "There will be no race to the bottom", he said. Regarding TTIP, the minister said that the EU is ready to resume talks if the

US shows willingness to do so. The Presidency is determined to move forward with the long-awaited reform of the EU's trade defence instruments and its anti-dumping legislation.

Several MEPs suggested that now is the time for Europe to move forward and "take the front seat" in international trade, just as a new US administration is choosing a different path.

Regional development: cohesion policy visibility, "Omnibus"

The great relevance of EU cohesion policy, which is increasingly seen as an investment policy, and the need to simplify procedures and increase the visibility of the results of EU-funded projects were stressed by Parliamentary Secretary for the EU Presidency and EU Funds Ian Borg, on Monday 23 in a debate with Regional Development Committee. Mr Borg said the Maltese Presidency's two main objectives regarding cohesion policy are to progress with the "Omnibus" legislative proposal and to focus on the political debate on how to make the results of cohesion policy more visible to citizens.

Culture, Education and Sport: high-quality education, audiovisual services, Year of Cultural Heritage

High-quality education for all and an education system that can tackle youth unemployment and skills mismatches are the key priorities of the Maltese Presidency of the Council, Education Minister Evarist Bartolo told the Culture and Education Committee on 24 January.

In the field of culture, progress on the European audiovisual media services and cultural diplomacy files will be the key priorities, said Culture Minister Owen Bonnici. He said he wanted protection against hate speech and protection of minors in online media, the functioning of the country of origin principle, independence and a clearer role for monitoring mechanisms and regulators of the audiovisual media services. Preparing for a European Year of Cultural Heritage 2018 is also a key priority.

Foreign Affairs: accession negotiations with Turkey, neighbourhood policy and situation in Libya

The enlargement process negotiations and neighbourhood policy will be at the core of the Maltese Presidency, Foreign Minister George Vella told the Foreign Affairs Committee on 24 January. Several MEPs raised concerns about the situation in Turkey, and some asked that accession negotiations with it be frozen. “Turkey is not only a candidate country but also a key partner of the EU”, Mr Vella underlined. “It is of crucial importance to maintain an open dialogue, not to burn bridges”, he added.

Quizzed on the future of EU-US relation in the light of the recent election of Donald Trump as US President, Mr Vella underlined that transatlantic relations should be maintained and strengthened.

Civil liberties, justice and home affairs: migration and terrorism

Tackling migration and fighting terrorism and radicalization will be the Presidency's first priority, Maltese Home Affairs and National Security Minister Carmelo Abela and Justice, Culture and Local Government Minister Owen Bonnici told Civil Liberties MEPs on 12 January. The Presidency will work to address divergences among national governments and push for more solidarity and responsibility in dealing with migration flows. Mr Abela also said that the deal between Turkey and the EU should be respected.

Several MEPs asked what could be done to ensure that member states deliver on their obligations with regard to refugees. Both ministers acknowledged that the Dublin System needs to be reformed and member states' commitments respected. Concerning the “smart borders” legislation, the Presidency hopes to have a deal on the new entry/exit system by June 2017.

Legal Affairs: copyright, taxation and family law

The Presidency will press the Council to agree on contracts for digital content by the end of June, and strike a balance between free flow of information and content creators' rights (copyright), Justice, Culture and Local Government Minister Owen Bonnici and Economy,

Investment and Small Business Minister Christian Cardona told Legal Affairs MEPs on 12 January.

MEPs asked what the Presidency intends to do about the proposals on “country by country” reporting by multinational companies for tax purposes and the revision of the Brussels II regulation on family law. The ministers promised that the Presidency would do its utmost to achieve progress on all files on the table.

IV

(Notices)

NOTICES FROM EUROPEAN UNION INSTITUTIONS, BODIES, OFFICES AND AGENCIES

EUROPEAN PARLIAMENT

PLENARY MEETING OF THE LVI COSAC

13-15 November 2016, Bratislava**Contribution of the LVI COSAC**

(2016/C 486/01)

1. Strengthening the role of national Parliaments in the EU

- 1.1. COSAC appreciates the progress of the current European Commission (2014-) in improving the relations with national Parliaments, as documented in the 26th Bi-annual Report of COSAC, notably through the increased number of visits of Commissioners to national Parliaments/Chambers, and encourages the European Commission to further pursue this effort to create a form of lasting dialogue with national Parliaments. This dialogue supports the competencies of the national Parliaments to keep their national Governments accountable and to scrutinise their national and EU policies.
- 1.2. In the field of political dialogue between the European Commission and national Parliaments, COSAC sees potential for improvement of responses to national Parliaments' reasoned opinions and therefore suggests that the European Commission better addresses national Parliaments' specific concerns within a period of no more than eight weeks and analyse all possible points of views when preparing its responses, especially the responses when the so-called 'yellow card' mechanism is triggered. COSAC also stresses the importance of discussions and exchanges of views in the subsidiarity check procedure between national Parliaments.
- 1.3. COSAC, in light of the established political dialogue with the EU Commission, invites the European Parliament to enhance, for its part, the consideration of the national Parliaments' opinions in the framework of the political dialogue in the relevant parliamentary committees.
- 1.4. COSAC considers the 'green card' mechanism an important tool to improve the role of national Parliaments and therefore encourages national Parliaments to continue exploring future possibilities of using the initiatives under the 'green card'.
- 1.5. COSAC notes that communicating the EU issues effectively in current circumstances proves to be one of the crucial elements in bridging the gap between the European Union and its citizens and recognises the role of national Parliaments in engaging citizens, providing them with impartial information and raising general awareness of EU related issues. In this respect it is important to underline the democratic mandate the national Parliaments have representing the voters. In the context of the outcome of the UK referendum, COSAC recognises the crucial role of national Parliaments, as institutions of direct democratic mandate and accountability, in contributing to the functioning and the future of the unique project of the European Union.

- 1.6. COSAC invites all parliaments to play a more vocal role in communicating the EU issues and to achieve this, encourages national Parliaments as well as the European Parliament to share their experience and best practices in the field of communication among them. Furthermore, COSAC notes that targeting and adapting the content of communication of EU issues may prove useful when engaging with specific groups, such as universities, schools, etc.
- 1.7. To make full use of available technologies, COSAC invites Parliaments to fully explore possibilities arising from using social media channels, which may increase awareness about EU issues and about Parliaments as the most relevant centres of debate, especially in relation to the European youth.

2. The Transatlantic Trade and Investment Partnership (TTIP): a trade agreement between the European Union and the United States (and its challenges, opportunities and risks)

- 2.1. COSAC recognises that EU's trade policy is of utmost geopolitical and economic importance for Europe to shape globalisation, to strengthen international standards and to increase access to foreign markets; COSAC considers that fairly negotiated, transparent and widely shared comprehensive trade agreements with third countries, negotiated with a view to reaching mutually beneficial results can be important tools that are capable of improving the EU's share of global trade; COSAC notes that international rules will be set by others, if the European Union does not act now.
- 2.2. COSAC views balanced trade agreements as a chance to promote growth and job creation, as well as to strengthen sustainable development, enforcing human rights, labour and social standards, and environmental sustainability on a global scale, but also to ensure the provision of services and municipal services. COSAC demands that the European Union better defends its interests in the negotiations and insists on principle of reciprocity.
- 2.3. COSAC acknowledges the differences in opinion and the scepticism being voiced by many European citizens about the content of these trade agreements and urges the European institutions, national Parliaments and the governments to address the concerns, to clearly demonstrate the impacts of the trade agreements and to ensure transparency of the negotiation processes.
- 2.4. COSAC welcomes the Commission's improved transparency measures of the TTIP negotiation process, however, it stresses the need to achieve an even higher level of transparency for all trade agreements that could address the concerns of European citizens and parliamentarians.
- 2.5. COSAC is convinced that the negotiation process and the outcomes of this process should fully respect the principles of freedom, democracy, rule of law, dignity and social cohesion, on which European Union is founded, and in this way ensure a solid guarantee that there will be a strengthening, rather than weakening of European regulations and standards, in case of the conclusion and signing of TTIP.
- 2.6. COSAC emphasises that the national Parliaments, as well as the European Parliament, must be able to scrutinise the TTIP negotiation process in line with provisions of the Treaty on the Functioning of the European Union (notably article 218). COSAC considers that TTIP can only be provisionally applied, once the European Parliament has given its consent to a final agreement concluded by the Council. COSAC therefore urges the Commission and the governments of Member States to continue the process of intensified communication with national Parliaments and the European Parliament. COSAC also reminds that it is expected that TTIP is a mixed agreement, therefore an eventual entering into force of TTIP will be subject to the relevant national ratification procedures in all Member States.

3. 2016: Energy Union's 'year of delivery'

- 3.1. COSAC welcomes the project of the Energy Union and its ambitions to lead the EU towards a more secure and sustainable energy policy, putting it at the forefront of renewable energy production and the fight against climate change. This cannot be achieved on purely intergovernmental level, therefore common European solutions are needed.

- 3.2. COSAC notes that the EU is the biggest importer of energy in the world, whereby reliance of a number of its Member States on a single supplier makes the EU extremely vulnerable. COSAC sees the high energy prices in the EU compared to competitors with concern. Therefore, COSAC is in favour of strengthening consumer rights that can, inter alia, effectively help in the fight against energy poverty. COSAC therefore recalls that the goal of the Energy Union is to provide European consumers with not only secure, sustainable and ecological energy, but also with energy which is competitive and more affordable. In attaining this objective, sovereign decisions of the Member States must be respected, while supporting solutions, which are better achieved at the EU level.
- 3.3. COSAC stresses the importance of the Member States' solidarity and trust to achieve energy security in the EU and underlines the importance of their common approach with regard to third countries. In this context, COSAC expresses concern at projects, which are perceived as technically, environmentally, economically and geopolitically ungrounded and counter-productive from the energy security point of view. On the contrary, in regards to the strengthening of the Single Market and energy security, COSAC supports efforts to maximise the EU's use of indigenous sources of energy including those for stable and secure electricity generation and optimal diversification of energy supply routes, while underlining the importance of closer regional cooperation.
- 3.4. COSAC recalls that 12 Member States remain below 10 % electricity interconnection target and thus largely isolated from the internal electricity market. COSAC calls for the European Fund for Strategic Investments to give special attention to projects that address the most significant lack of sufficient interconnectivity.
- 3.5. COSAC welcomes the Paris Agreement and considers it as a milestone in the fight against climate change and as a strong commitment to the environment and next generations. COSAC also welcomes the swift ratification of this agreement by the EU and calls for its unconditional implementation. COSAC considers that the project of Energy Union can make a substantial contribution to achieve the Paris Agreement's goals and, in the longer term, help meet energy and climate targets set by the EU for 2020, 2030 and 2050.
- 3.6. COSAC underlines the importance of research and development investment for the Energy Union and stresses their potential in constructing a secure, effective and ecological Energy Union and in reducing energy production costs with a clear priority in respect of the Paris Agreement on Renewable Energy. In this respect COSAC also welcomes the work for a better Emission Trading System (ETS) which contribute to modernise the European Energy.
- 3.7. COSAC believes that efforts in developing innovative low-emission technologies and solutions as well as progress in cost-effective innovations play an irreplaceable role in strengthening EU's competitiveness.
- 3.8. In order to achieve as large energy savings as possible, COSAC supports measures at the local level focused on building reconstruction and increasing the share of the public transport usage.

4. Securing the external borders of the EU in the context of irregular migration

- 4.1. COSAC recognises all humanitarian aspects of solving the migration and refugee crisis. COSAC further stresses the importance of finding safe and legal ways for eligible asylum seekers and refugees to come to the EU. COSAC appreciates the EU's cooperation with countries of transit and origin of migration flows, and stresses that protection of human rights of migrants and asylum seekers and refugees must be at the centre of EU actions undertaken in order to solve the migration crisis. COSAC considers securing the EU's external borders as a matter of immediate priority for the successful management of current and future irregular migratory flows.
- 4.2. COSAC reaffirms the importance of solidarity, responsibility and fair burden sharing among Member States based on the need for an acceptable solution to irregular migration in accordance with Article 80 of the Treaty on the Functioning of the European Union (TFEU) while respecting human rights and all international treaties and conventions. COSAC encourages the European Union to address and eliminate the root causes of migration. COSAC invites the Slovak Presidency, but also future Presidencies, to submit compromise proposals and to actively contribute in finding effective and acceptable solutions on migration issues with a special focus on human rights, solidarity and humanity, as well as on easy-to-access reception management on the ground.

- 4.3. COSAC also underlines the necessary internal European and global solidarity for effective resettlement programs to support states such as Italy and Greece in tackling refugee care and shelter.
 - 4.4. With regard to the maintaining and tightening of controls of the Eastern Mediterranean route, COSAC calls for an immediate implementation of the EU-Turkey statement and reminds the need for its full and uniform application towards all Member States of the European Union.
 - 4.5. COSAC endorses the recognition made by the European Council, at its October meeting, of ‘the significant contribution, including of financial nature, made by frontline Member States in recent years’; COSAC calls on the European Institutions to take into special consideration the efforts put forth by these States to fulfil the humanitarian obligation that are: to save the lives of the growing numbers of asylum seekers that arrive to Europe’s external borders, to provide for rescue operations, identification, health care assistance, shelter, clothes, food, and social integration. To this end, these specific expenditures should be considered in the calculation of the structural government budget balance.
 - 4.6. COSAC highlights that the European Union, as an area of freedom of movement and opened borders, needs to pursue a joint European migration policy with emphasis on both the protection of EU’s citizens and external borders, safety and solidarity with refugees, asylum seekers and migrants while respecting human rights and all international treaties and conventions. COSAC strongly supports all initiatives aiming at the protection of the external borders and restoring regularity in the Schengen area and therefore welcomes the creation of the European Border and Coast Guard. COSAC underlines the importance of prompt implementation of the regulation on the European Border and Coast Guard and solving the problem of insufficiently quick returns, by taking full advantage of the EBCG’s mandate. In this context, COSAC recalls the need for personnel and material supply for the effective functioning of the European Border and Coast Guard.
 - 4.7. COSAC welcomes ongoing work on the project of linked SIS (Schengen Information System) — AFIS (Automated Fingerprint Identification System) for identification of missing persons based on fingerprints, as well as the feasibility study and legislative proposal on the EU Travel Information and Authorisation System (ETIAS) to be published soon which will help secure EU borders and determine if the person did not exceed the permitted time of stay in the EU. COSAC underlines the challenge of effective implementation of these new tools within the shortest possible time.
 - 4.8. Stressing the challenges linked to the security and the control of external borders of the EU, COSAC asks that the discussions in the European Parliament on the implementation of the EU entry/exit system for recording entries and exits of third country nationals crossing the external borders of the EU Member States and on establishing of a registered travellers programme (RTP) are finalised as soon as possible, while addressing concerns as to the costs, proportionality and data protection.
 - 4.9. Finally, COSAC stresses the importance of sharing good practices in integrating migrant youth and families in local societies providing education and good work.
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III. Politics in Malta

5. Political Structure

6. OSCE/ODIHR Election Assessment

Mission Final Report

Politics in Malta

Historical Background¹

Maltese constitutional development has had a rather turbulent history. Under the Order of St John, from 1530 to 1798, democracy was unknown even as an inspiration. The French period was short-lived, from 1798 to 1800, and was marked by an armed insurrection within months of its commencement. With the approval of the King of the Two Sicilies, whom the Maltese still recognized as their lawful sovereign, the British were invited in and the French eventually had to leave.

In 1814, by the Treaty of Paris, Malta became a British possession. Its first Constitution was granted in 1835. However, its Council of Government was by nomination. In 1887, for the first time in its history, Malta acquired representative government through a Council which was composed of a majority of Maltese elected Members. By the turn of the century, the political situation became tense as the 1887 constitution was slowly dismantled until representative government was revoked altogether in 1903.

The political aspirations of the Maltese grew stronger and in February 1919 a newly constituted National Assembly unanimously resolved to request the British government to grant a new constitution with full political and administrative autonomy. Events came to a head on 7 June 1919 when riots broke out as a result of which four Maltese were killed by British troops. This crisis paved the way for the formation of a responsible government through a new constitution, granted in 1921. Thus Malta had its first government composed of Ministers who were themselves Members of and responsible to a Legislature which the Maltese people elected.

Malta obtained independence from the UK in 1964 and became a Republic in 1974. Thirty Years later, in 2004, Malta joined the European Union.

A Synthesis of the Constitution of Malta²

Malta's present constitution is the original document as it evolved and changed over the years, but there is historical continuity with that original document. The model is known as

¹ <http://www.parlament.mt/historicalbackground?l=1>

² <https://vassallohistory.wordpress.com/constitutional-development/>

the Westminster model, meaning that it is based on the model of Prime Minister and a Cabinet government.

The first chapter of the Constitution refers to the basic principles which define territory, language, official languages, national anthem, religion, and a rule which states that the Constitution is the supreme law of the land, meaning that ordinary laws and legislation have to be defined within the powers granted by the Constitution and that if any law runs counter to, or is inconsistent with, the Constitution, the Constitution will prevail (have effect over the law).

Chapter Two is the declaration of state principles which may however not be enforced by any court.

Chapter Three refers to the criteria of acquisition of citizenship and also grants the possibility of dual citizenship. Citizenship is the legal and political bond between a person and a legal system, and this chapter speaks how to acquire or lose Maltese citizenship.

Chapter Four refers to fundamental rights and freedoms.

Chapter Five refers to the President of the Republic who is the Head of State. The powers and duties of the President are laid down in the Constitution and generally a President is appointed by the Parliament by a simple majority for a period of 5 years.

The Constitution refers to the traditional model of the State made of the 3 organs:

- Legislative (Parliament)
- Executive (Government)
- Judiciary (Law Courts)

Chapter Six speaks about Parliament. There are rules referring to who is entitled to vote (the qualification of voters). The Constitution also establishes who may be elected to the House of Parliament and who is disqualified. The chapter establishes Parliament as mandatory and establishes that there is only one House (one House of Representatives unlike many other countries).

The voting system is known as the Proportional Representative system (districts electing representatives, transferring of votes from elected candidates to non-elected candidates). The composition of Parliament is regulated. The Office of the Prime Minister and the leader of the Opposition are provided for in the Constitution. The life of Parliament and dissolution (after 5 years) are provided for.

The Electoral Commission is established by the Constitution. Among its duties are:

- Monitoring and establishing electoral boundaries to reflect demographic situations.

- Organising and causing general elections, local council elections and overseeing European Parliament elections.

The establishment of local councils and the office for the investigation of administrative complaints (also known as the Ombudsman) are regulated by the Constitution.

The Parliament is empowered to make laws and legislate. The legislative authority of Parliament derives from the Constitution, meaning also that the Constitution defines and limits the powers of Parliament. For example, Parliament may not legislate against fundamental human rights. There is a procedure how, what are known as ordinary laws, are enacted and also a procedure how the Constitution may be amended.

Chapter Seven deals with Executive authority which is technically invested in the President but it is effectively exercised by the Prime Minister and his Cabinet of Ministers. The Prime Minister is appointed by the President on the basis of his/her enjoying the support of the majority of members in the House of Representatives. Cabinet members are appointed by the President on the advice/recommendation of the Prime Minister. There is the doctrine of Collective Cabinet Responsibility for policies and political decisions, meaning that if a Minister disagrees with a policy and wants to criticise/disassociate himself from a policy, the practice is for such minister to resign.

Chapter Eight looks at the Judiciary. The courts are a mandatory organ of the Institution of Government. The Constitution establishes and provides for the appointment of judges and magistrates, the conditions of their term of office and the rule that the courts are independent and impartial (they don't form part of any other institution and their independence is ensured since, except in cases of proved misbehaviour, they may not be dismissed from office). The Constitution establishes the Constitutional Courts which decide on all Constitutional questions.

Chapter Nine is about public finances. The constitution establishes what is known as the consolidated fund which is a general public account, grants the authority to government to raise and collect taxes on the basis of a law (Budget) and also the mechanism of review and audit of public spending through the office of the Auditor General.

Chapter Ten deals with the public service, which is regulated by the Public Service Commission. It provides for the engagement and recruiting of members of the public service, their conditions of employment and termination of their duties.

Chapter Eleven is Miscellaneous, comprising other aspects not dealt with by the other chapters. A Commission established by the Constitution in this chapter is the Broadcasting Authority. It supervises and regulates audiovisual media which attempts to establish a level

playing field between the various media and in the case of public broadcasting is responsible to ensure fair apportionment of air-time between various representatives of different views. Other items dealt with in this chapter are actions on validity of laws, prohibitions of certain associations, the Employment Commission, resignations, and reappointments.

Political Structure of Malta³

Malta is a Parliamentary Republic. It was a British colony from 1800 until its independence on 21 September 1964. The Republic was proclaimed on 13 December 1974. Legislative power is held by a unicameral Parliament (House of Representatives), made up of 65 members elected for five years. This single member constituency system permits a plurality premium. The Head of State is the President, elected by the House of Representatives for a five-year term and who has an essentially ceremonial and symbolic role. Executive power lies with the Prime Minister and his Cabinet. The Prime Minister, appointed by the President for a five-year term, is the leader of the majority party or of a majority coalition in Parliament. Ministers are appointed by the President on the advice of the Prime Minister. The Constitution of Malta was adopted in 1964 and substantially amended in 1974 and again in 1987.

President of Malta⁴:

Upon taking up the position, the President takes an oath to ‘preserve, protect and defend’ the Constitution. Additionally, as part of his substantial and wide-reaching role, the President promulgates laws, receives foreign ambassadors, and may dissolve the House of Representatives on the request of the Prime Minister or following the passage of a no confidence motion in the Government.

Ms Marie-Louise Coleiro Preca is Malta’s President and the country’s Head of State.

³ <http://www.legal-malta.com/interest/government>

⁴ <http://president.gov.mt/il-president-ta-malta/bijografija-tal-president/>

Personal details:

First name: Marie-Louise
Surname: Coleiro Preca
Date of birth: 29 December 1955
Place of birth: Mosta, Malta
Nationality: Maltese

Mrs Marie-Louise Coleiro Preca is married to Edgar Preca and has a daughter.

**Career:**

Mrs Marie-Louise Coleiro Preca is the ninth President of the Republic of Malta.

Her nomination as President was, for the first time in the history of the Maltese parliament, approved unanimously by a parliamentary resolution of the House of Representatives taken on 1 April 2014, marking a development in the constitutional history of Malta. She took the oath of President of Malta on 4 April 2014.

At the age of 55 years, Coleiro Preca is the youngest President of the country, and is the second woman occupying the office of Head of State after 32 years.

Marie-Louise Coeiro Preca had been active in politics for forty years, starting at the young age of sixteen years. She served in Parliament for sixteen years. Within the Labour Party, she served as a member of the National Executive, Assistant Secretary-General and Secretary General, occupying the latter post between 1982 and 1991, being the only woman who ever occupied this important elected position in a Maltese political party.

Coleiro Preca was also a member of the National Youth Socialists Bureau, President of the Socialist Women's Group, member of the National Council of the Malta Labour Party, member of the National Bureau of Socialist Youths (now the Labour Youth Forum), founder member of Ġuze Ellul Mercer Foundation, as well as editor of the newspaper, il-Helsien.

She served on the board of directors of Maltacom plc (now the GO Company), as well as the Libyan Arab Maltese Holding Company. She was also a member of the National Commission for Fiscal Morality.

Marie-Louise Coleiro Preca served as a Member of Parliament in the House of Representatives between 1998 and 2014. In the 2008 and again in 2013 general elections, she was the first candidate to be elected to Parliament.

As a Member of Parliament in Opposition, she served as Shadow Minister for Social Policy, Tourism, the national airline, and Health. Marie-Louise Coleiro Preca was a member of the Parliamentary Committee for Social Affairs and the Family. She also served in the

Parliamentary delegation to the Council of Europe and on various committees that fall within it.

The Maltese Parliament

The Maltese Parliament comprises of the President of Malta, Mr Speaker, the Deputy Speaker, and the Members of Parliament.

Speaker⁵:

Hon. Anġlu Farrugia

Speaker of the House of Representatives

Personal details:

First name: Anġlu
Surname: Farrugia
Date of birth: 29 December 1955
Place of birth: Mosta, Malta
Nationality: Maltese



Hon Anġlu Farrugia has one daughter and is married to Carmen née Zammit.

Career:

Dr Anġlu Farrugia LL.D. M.Jur. (magna cum laude), has assumed office after being elected Speaker of the House of Representatives, Parliament of Malta, during the first sitting of the Twelfth Legislature on 6 April 2013. Dr Farrugia first entered Parliament in 1996, and was re-elected in 1998, 2003 and 2008. Between 1998 and 2008, Dr Farrugia was the Shadow Minister for Justice. In June 2008, he was elected as the Labour Party's Deputy Leader responsible for Parliamentary Affairs, and served for five years as the Opposition's Shadow Minister on Employment and Workers' Rights. Dr Farrugia was Chairman of the Standing Committee of the House for the Consideration of Bills between 1996 and 1998, and an ad hoc member between 1998 and 2013 on the same committee. Between 1996 and 2008, he was also a member of the Privileges Committee of the House of Representatives. Dr Farrugia headed the

⁵ <http://www.parlament.mt/speaker?l=1>

Maltese Parliament's delegation to the Parliamentary Assembly of the Organisation for Security and Co-operation in Europe (OSCE) between 1996 and 1998, and served as a member of the delegation since then till 2008. He has travelled abroad on a number of EU and OSCE missions as an international observer during the holding of various elections, including the ones in Georgia (1999), the Presidential Election in Palestine (2004), the US Presidential Election in 2004, the Montenegrin Independence Referendum (2006) and the Presidential and Parliamentary Elections in Zambia (2006). Dr Farrugia also served as a member of the OSCE Parliamentary Assembly's Standing Committee on Human Rights. Prior to entering politics, Dr Farrugia moved up the ranks within the Malta Police Force from 1977 to 1996, leaving the Force in the rank of Police Superintendent. During this period, he graduated as a lawyer from the University of Malta.

The House of Representatives⁶:

Malta is a democratic republic with a unicameral House of Representatives of at least 65 members. The country has proportional representation using the single transferable vote system. A party which obtains a majority of votes but minority of seats is allocated additional seats to give it an overall majority of one. The House may not sit for longer than five years. The President is the head of state and is elected for a five-year period of office by the House of Representatives. The incumbent has executive authority but must act on the cabinet's advice and the position is therefore largely ceremonial. The Prime Minister and Leader of the Opposition are both appointed by the President. The cabinet is appointed by the President on the advice of the Prime Minister. All appointees must be members of parliament.

The Parliament mission and responsibilities are⁷:

The Maltese House of Representatives, through its elected representatives, is accountable to the people of Malta for the provision and conduct of representative government in the interest of Maltese citizens.

The Maltese House of Representatives is committed to remaining an organisation that:

- Provides a venue to allow the people's representatives to participate in the democratic process;

⁶ <http://thecommonwealth.org/our-member-countries/malta/constitution-politics>

⁷ <http://www.parlament.mt/objectives-responsibilities?l=1>

- Promotes sound financial management via the examination of public sector financial statements;
- Provides a safe work place;
- Provides for the smooth running of the Parliamentary Committees;
- Provides logistical support for
 - Parliamentary delegations attending conferences abroad and
 - Hosting Parliamentary Conferences in Malta;
- Provides for the autonomy of two Parliamentary Officers:
 - The Auditor General who is committed to remaining an organisation that provides sound and independent assurance to Parliament on the adequacy of accountability and resource management practices in the public sector;
 - The Ombudsman who is committed to:
 - Investigate and resolve citizens' grievances about government departments and public bodies;
 - To promote the right to good public administration and the right to complain against maladministration.

The Government⁸

The Prime Minister is the Island's Head of Government, as well as a Member of Parliament. He also advises the President on the appointment of the other Ministers. Constitutionally, the Prime Minister is responsible for engaging Permanent Secretaries as well as giving advice to the President on the appointment of members to the Judiciary and other constitutional bodies.

Supported by the Office of the Prime Minister, the PM also provides leadership and direction for a stable and effective Government.

Dr Joseph Muscat took office as Malta's Prime Minister on 11 March 2013.

⁸ <https://www.gov.mt/en/Government/Government%20of%20Malta/Synopsis/Pages/Governance-Synopsis.aspx>

The Prime Minister of Malta⁹

Dr Joseph Muscat

Personal details:

First name: Joseph
Surname: Muscat
Date of birth: 22 January 1974
Place of birth: Pietà, Malta
Nationality: Maltese



Career:

He received his formal education at the Government Primary School in St. Paul's Bay, Stella Maris and St. Aloysius' College. He graduated with Honours from the University of Malta in Public Policy and later as Master of European Studies. In 2007 he attained a Doctorate of Philosophy in Management Research from the University of Bristol (UK).

From 1992-1997 he was a journalist and eventually Assistant Head of news with a national private radio station. He was elected member to the National Executive of the Partit Laburista at the age of 21 and later nominated as Education Secretary of the Party. From 1997 to 1998 he was a member of the National Commission for Fiscal Morality. Dr. Muscat was also a market intelligence manager and investment adviser. He successfully contested the first European Parliamentary elections in Malta in 2004. In 2006 he was the recipient of the Outstanding Young Person of the Year. In 2008 he was elected as the Leader of the Partit Laburista.

Dr Muscat is married to Michelle, née Tanti, and they have twin daughters, Etoile Ella and Soleil Sophie.

⁹ <https://opm.gov.mt/en/Pages/Primeminister.aspx>

Cabinet of Malta:

The Maltese Cabinet is selected from among the members of the House of Representatives. Each is appointed by the President with the assent of the Prime Minister.

The Maltese government is composed by several ministries:

- Office of the Prime Minister;
- Ministry for European Affairs and Implementation of the Electoral Manifesto;
- Ministry for Foreign Affairs;
- Ministry for Education and Employment;
- Ministry for Transport and Infrastructure;
- Ministry for Gozo;
- Ministry for Social Dialogue, Consumer Affairs and Civil Liberties;
- Ministry for the Economy, Investment and Small Business;
- Ministry for Finance;
- Ministry for the Family and Social Solidarity;
- Ministry for Justice, Culture and Local Government;
- Ministry for Tourism;
- Ministry for Home Affairs and National Security;
- Ministry for Sustainable Development, the Environment and Climate Change;
- Ministry for Competitiveness and Digital, Maritime and Services Economy;
- Ministry for Health.

The Public Administration:

The Public Administration is the core of the permanent administrative machinery within the Government. It offers policy advice, implements policies and administers legislation efficiently and effectively, as well as delivers services to the public impartially, without errors and in a customer-friendly manner.

The Public Administration is headed by the Principal Permanent Secretary, Mr Mario Cutajar.

Political Actors in Malta

Political Parties¹⁰

Malta has a “de facto” two-party system, with the Nationalist and Labour parties alternating in government. The Nationalist Party is similar in outlook to European Christian Democrats, like the CDU in Germany. For its part, Labour can be compared to its UK counterpart and is centrist in nature. Since independence, the political landscape has been dominated by Labour and the Nationalists. Other attempts to enter the political arena, most recently by the Democratic Alternative (an environmentalist party established in 1989), were all unsuccessful. Malta has one of the highest levels of public political participation in the EU, with turnout for elections regularly exceeding 90 per cent.

Between 1971 and 1987, Malta was governed by a Labour administration which saw a significant expansion of the public sector and social services, along with government in the running of the economy. This was to change in 1987 with the election of the Nationalist Party which saw the beginning of a process of economic liberalisation with an emphasis on the private sector as the driver of growth and a reduced role for the state in running the economy. In the most recent elections, held in March 2013, the Labour Party gained 30,000 more votes with its promise of creating a ‘Malta for All’ and now has a nine-seat majority in parliament. Lawrence Gonzi, the former prime minister, resigned after the party lost the election and Simon Busuttil was elected leader of the opposition National Party. Malta’s current president, Marie-Louise Coleiro Preca, is a former minister who took office on 4 April 2014. Coleiro Preca is the youngest person to hold the office of President, at the age of 55, and is the second woman appointed for the post.

Both parties are now committed to enhancing the role of the private sector and both are pro business. The priorities of the current government include framing a new energy policy, boosting the economy’s competitiveness and introducing anti-corruption measures. Reforms in health, education and the public finances, along with continued diversification of the economy, have all been flagged by the current government. A commitment to securing a consensus that transcends the political divide has contributed greatly to Malta’s stability, helping to enhance its reputation internationally.

¹⁰ <http://www.maltaprofile.info/article/government-politics>

Political parties in a parliamentary democracy:

In a parliamentary democracy, citizens elect their representatives. In Malta this happens every 5 years. The candidates are members of political parties. Citizens vote for the party of their choice and, in this way, influence government policy.

Role of political parties:

A political party brings together people with the same political ideas. By taking part in an election, parties hope to get as many of their members as possible into a representative body, like parliament or a municipal council. At the same time they try to hold as many posts as possible in the government, or in the municipal or provincial executive.

Political parties have various functions. One is promoting the interests of their voters. They also draw up party programmes. Citizens can join political parties, enabling them to help shape the party programme.

Political Parties Represented in Parliament:



The **Labour Party**¹¹ (Maltese: Partit Laburista, PL) is a social-democratic political party in Malta. Along with the Nationalist Party (PN), the Labour Party is one of two major contemporary political parties in Malta. It was founded as the Chamber of Labour (Italian: Camera del Lavoro) in 1921 by one of the union branches affiliated with the Imperial Government Workers Union.

It is the governing party in the Maltese House of Representatives following its victory over the Nationalist Party in the March 2013 general election.

The Labour Party is a member of the Party of European Socialists, and was a member of the Socialist International until December 2014. The party has been led by Joseph Muscat since 2008, who is currently the prime minister of Malta.

¹¹ <https://www.gov.mt/en/Government/DOI/Pages/General%20Elections%20Information/Parties/pl.aspx>
<http://www.partitlaburista.org/who-we-are/>



The **Nationalist Party**¹² (Maltese: Partit Nazzjonalista, PN) is a centre-right Christian democratic and conservative political party in Malta. It is the other of the two major contemporary political parties in Malta, along with the governing Labour Party. The PN was officially founded in 1926, but can trace its history back to 1880. The party finds its origins in Nationalist groups who opposed British colonial taxes and the Anglicisation of the education and judicial systems. The party's origins were in the country's Italian elite and the PN was a pro-Italian and heavily Catholic party. The PN led Malta to independence in 1964, with a referendum on independence that year. The party is considered to be slightly more economically liberal and more socially conservative than Labour. The party is currently led by Simon Busuttil.



The **Democratic Party**¹³ is a centre-left political party in Malta. The PD was founded in 2016 by MP Marlene Farrugia, who had been initially elected as an MP for the Labour Party. The party states it is a new alternative to the traditional dominant parties in Malta, the Labour Party and Nationalist Party. On 21 October 2016, Marlene Farrugia was formally elected leader of the PD at an AGM whilst confirming the party executive. The term length for the executive has been set for two years. The party aims to contest the next Maltese general election scheduled to take place in 2018.

¹² <http://www.demsoc.org/2014/05/06/nationalist-party-pn/>

¹³ [https://en.wikipedia.org/wiki/Democratic_Party_\(Malta\)](https://en.wikipedia.org/wiki/Democratic_Party_(Malta))



The **Democratic Alternative**¹⁴ (Maltese: Alternattiva Demokratika, AD), sometimes referred to as AD – The Green Party, is a green political party in Malta, particularly dedicated to environmentalism. Democratic Alternative was founded in 1989 when former Malta Labour Party President Toni Abela and former Labour MP and Parliamentary whip Wenzu Mintoff joined a number of environmental activists to form the new political party. In the general election of 2013, Democratic Alternative obtained its best ever result with 5,506 votes (1.8%) in total across all districts where they ran candidates but failed to win a seat in parliament. The party is currently led by Arnold Cassola.

¹⁴ [https://en.wikipedia.org/wiki/Democratic_Alternative_\(Malta\)](https://en.wikipedia.org/wiki/Democratic_Alternative_(Malta))



Office for Democratic Institutions and Human Rights

REPUBLIC OF MALTA

PARLIAMENTARY ELECTIONS

9 March 2013

OSCE/ODIHR ELECTION ASSESSMENT MISSION FINAL REPORT



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REPUBLIC OF MALTA
PARLIAMENTARY ELECTIONS
9 March 2013

OSCE/ODIHR Election Assessment Mission Final Report

I. EXECUTIVE SUMMARY

Following an invitation by the Permanent Mission of Malta to the OSCE, the OSCE Office for Democratic Institutions and Human Rights (OSCE/ODIHR) deployed an Election Assessment Mission (EAM) to observe the parliamentary elections scheduled for 9 March 2013.

The entire electoral process commanded a high level of public confidence. The campaign took place in an open and peaceful environment with no restrictions on freedoms of association or expression. However, the lack of comprehensive and effective campaign finance regulations raised certain concerns among many OSCE/ODIHR EAM interlocutors about transparency, particularly for non-parliamentary parties.

Malta is a parliamentary republic with legislative power vested in the House of Representatives, a unicameral parliament elected for a five-year term under a single transferable vote system. The political landscape is dominated by the Nationalist Party and the Labour Party, the only parliamentary parties since Malta's independence in 1964.

The legal framework, primarily regulated by the Constitution and General Elections Act, provides a sound basis for holding democratic elections. Legal amendments in 2012 refined voter registration regulations and introduced procedures for voting in hospitals and retirement homes. Certain aspects of the legislation could benefit from further review, particularly limitations on voting and candidacy rights, the absence of comprehensive campaign finance regulations, legal provisions for citizen and international election observation.

Voter registration is passive and 333,072 voters were eligible to vote in these elections. Citizens serving a prison sentence of more than 12 months are deprived of their voting right, raising concerns about the proportionality of this restriction. The voter register is open for public scrutiny within five days of elections being announced. All OSCE/ODIHR EAM interlocutors expressed confidence in the accuracy and inclusiveness of the voter register.

Candidates may stand as representatives of a political party or independently, in line with paragraph 7.5 of the 1990 OSCE Copenhagen Document. However, restrictions on candidacy rights, based on residency and incompatibility with certain official functions, could benefit from further review. Overall, the candidate registration process was inclusive and provided voters with a diverse choice.

Women are under-represented in politics. Only 15 per cent of all candidates were women and there are no legal requirements to promote their participation. Several women candidates informed the OSCE/ODIHR EAM of the persistence of negative attitudes towards women's political participation. There were no women represented on the Electoral Commission.

Elections were administered by the Electoral Commission with voting taking place in 609 polling stations. Overall, elections were administered in a professional and efficient manner that enjoyed a high degree of public trust.

The media environment is pluralistic and diverse and provided voters with a wide range of

information on candidates and campaign issues. The composition of the regulatory Broadcasting Authority was criticized by many OSCE/ODIHR EAM interlocutors as being biased in favour of the two dominant parties. Contrary to international good practice, defamation is criminalized.

The legal framework generally provides for effective redress of electoral complaints and appeals and the electoral dispute resolution system enjoyed widespread confidence among OSCE/ODIHR EAM interlocutors. However, the law does not always specify deadlines for resolving complaints, which could potentially undermine timely remedy.

According to the OSCE/ODIHR's election observation methodology, the EAM did not undertake a comprehensive and systematic observation of election day. However, mission members visited a limited number of polling stations during early voting and on election day. Voting appeared to be well organized and orderly. All polling stations visited provided access for voters with disabilities, although at times this compromised the secrecy of their vote. Counting took place in a central counting centre and was conducted efficiently and transparently.

II. INTRODUCTION AND ACKNOWLEDGEMENTS

Following an invitation from the Permanent Mission of Malta to the OSCE to observe the 9 March 2013 parliamentary elections, and based on the recommendation of a Needs Assessment Mission conducted from 15 to 17 January, the OSCE/ODIHR deployed an Election Assessment Mission (EAM) from 26 February to 12 March.¹

The OSCE/ODIHR EAM was led by Nikolai Vulchanov and consisted of five election experts from as many OSCE participating States. In line with the OSCE/ODIHR's methodology, the EAM did not observe election day proceedings in a systematic or comprehensive manner. However, mission members visited a limited number of polling stations and observed the counting of ballots in the central counting centre. Although there were concurrent local elections in a number of localities, the OSCE/ODIHR EAM only followed them to the extent that they might have impacted upon the parliamentary elections.

The OSCE/ODIHR EAM wishes to thank the Ministry of Foreign Affairs and the Electoral Commission for their assistance and co-operation. The OSCE/ODIHR would also like to thank other state institutions, political parties, media and civil society organizations who took the time to meet with the mission.

The OSCE/ODIHR had not previously observed or assessed national elections in Malta, although it did visit the country in the context of the June 2009 elections to the European Parliament.

III. BACKGROUND AND POLITICAL CONTEXT

Malta is a parliamentary republic. Legislative power is vested with the House of Representatives, a unicameral parliament elected for a five-year-term. Executive power is shared between the cabinet of ministers and the president. The latter is elected by a simple majority of the parliament and performs mostly ceremonial functions.

¹ All previous OSCE/ODIHR reports on Malta are available at: <http://www.osce.org/odihr/elections/malta>.

The political landscape is dominated by two political parties; the Christian-democratic Nationalist Party (NP) and the social-democratic Labour Party (LP). The two have been the only parliamentary parties since Malta's independence in 1964. Although other parties and independent candidates have contested elections, none have succeeded in attaining a seat in parliament. While the NP has formed the majority of governments since independence, support between the two political powers is widely perceived as being evenly split. In 2008, less than 0.5 per cent of votes separated the two parties.² The Democratic Alternative – Green Party (DA) is the next most popular party, though it has never gained a seat in parliament.³

The NP enjoyed a one-seat majority in the outgoing parliament. This slim advantage over the opposition LP proved fragile and on 30 May 2012, a NP member of parliament put forward a motion of no confidence against the Minister of Justice, which was voted through with the support of the LP. Since then the NP members of parliament refrained from holding votes on any important issue for fear of losing their majority. On 10 December 2012, the NP failed to secure a majority of votes to pass the draft budget for 2013. As a result, President George Abela confirmed the dissolution of parliament on 7 January and announced elections for 9 March 2013.

IV. LEGAL FRAMEWORK

A. GENERAL OVERVIEW

The legal framework provides a generally sound basis for the conduct of democratic elections and is primarily regulated by the Constitution, the General Elections Act and the Electoral Polling Ordinance. Further provisions relating to elections include the Broadcasting Act, the Public Meetings Ordinance, and the House of Representatives (Privileges and Powers) Ordinance.

The Constitution, which was adopted in 1964 and has since undergone a series of amendments, includes the basic principles of the electoral system, guarantees protecting fundamental freedoms, and civil and political rights including the right to elect and be elected.

The General Elections Act was initially adopted in 1991 and was most recently amended in July 2012. The last amendments included provisions for revising the voter register and introduced procedures for voting in retirement homes and hospitals. It now requires a list of hospital patients and retirement home residents, together with the medical reason for their stay, to be sent to the Electoral Commission (EC) within three days of the official announcement of elections and to be updated on a daily basis until the day before polling. On 12 December 2012, the DA challenged this provision before the Information and Data Protection Commissioner (IDPC) as not conforming to the Data Protection Act. On 21 January, the IDPC recommended that these lists should not be collected by the EC earlier than five days before the election. The EC partly followed the IDPC's recommendation and did not share the lists with political parties until five days before polling.

In line with the IDPC recommendation, and given the sensitive nature of information on patients currently contained in the lists, consideration could be given to ensuring that these lists are submitted to the Electoral Commission no earlier than five days before the election.

The Constitution enshrines equal rights between men and women and commits to the elimination of

² In the 2008 parliamentary elections the NP won by 0.5 per cent (a total of 1,580 votes).

³ In the 2008 and 2013 elections, the DA came third, securing 1.31 and 1.78 per cent of the votes, respectively.

all forms of discrimination on the basis of gender.⁴ However, many OSCE/ODIHR EAM interlocutors stated that the majority of society maintains a conservative family model, in which the men are the sole breadwinners. At the same time, a number of OSCE/ODIHR EAM interlocutors spoke about positive changes in perception with regard to the role of women in public life over recent years.⁵ Only seven per cent of the outgoing parliament was women.

B. RIGHT TO VOTE

The Constitution and the General Elections Act grant active suffrage rights to citizens aged 18 years or older on election day, but withhold the right to vote from people who have been declared legally incapacitated “for any mental infirmity” by a court decision or are “otherwise determined in Malta to be of unsound mind”.⁶ On this issue the General Elections Act stipulates that the EC may not refuse to register a voter or remove their name from the register, without a unanimous decision from the Medical Board.⁷

Article 58(b) of the Constitution states that citizens serving a term of imprisonment of more than 12 months or serving a sentence on which execution has been suspended are deprived of the right to vote. In addition to the aforementioned requirements, a voter must be a resident of Malta for a period amounting to 6 months during the 18 months preceding their registration. The residency requirement was challenged several times before the courts. In March 2003, the Constitutional Court decided that residence does not require a continuous presence in the country.⁸ This requirement is also not in line with international good practice.⁹

C. RIGHT TO STAND

Citizens with active suffrage rights are entitled to stand as candidates in parliamentary elections. Article 54 of the Constitution, however, establishes a series of incompatibilities with the office of a member of parliament: the electoral contestant should not be a citizen of another country, a public servant, a member of the armed forces, holding a leading role in a body contracted by the government, be bankrupt, or hold or act in an office related with the elections to parliament.

These restrictions on the right to stand are not fully compatible with paragraph 7.5 of the 1990 OSCE

⁴ Malta is also a signatory of the International Covenant for Civil and Political Rights and the Convention on the Elimination of All Forms of Discrimination Against Women, both of which commit to equal rights (including to political participation) regardless of gender.

⁵ According to the Eurostat data, Malta has the lowest female employment rate in EU. See: Eurostat, http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/Employment_statistics. The latest data of the Malta National Statistic Office show that only 44 per cent of women are professionally active in Malta. See Labour Survey from 2012, available at: http://www.nso.gov.mt/statdoc/document_file.aspx?id=3547.

⁶ See Articles 57 and 58 of the Constitution and Article 15 of the General Elections Act.

⁷ Under Article 14(2), the Medical Board consists of a doctor appointed by the EC who acts as the chairperson, and a doctor appointed by each of the parliamentary political parties. Article 27(2) states that the decision of the Medical Board is final and binding on the EC and the voter. Decisions deeming a voter is of unsound mind must be unanimous.

⁸ Decision No. 6/2003/1, Civil Courts, Judge Tonio Mallia, Sitting of 21/03/2003, *Prof. Arnold Cassola v. Electoral Commission and Jimmy Magro – Labour Party*.

⁹ See the Venice Commission “Code of Good Practice in Electoral Matters” CDL-AD(2002)023rev, I.1.1 c. iii and iv, a length of residence requirement may be imposed on nationals solely for local or regional elections; and the requisite period of residence should not exceed six months except in order to protect national minorities. Available at [http://www.venice.coe.int/webforms/documents/CDL-AD\(2002\)023rev-e.aspx](http://www.venice.coe.int/webforms/documents/CDL-AD(2002)023rev-e.aspx).

Copenhagen Document.¹⁰ Furthermore, paragraph 16 of General Comment No. 25 of the International Covenant on Civil and Political Rights (ICCPR) states that “if there are reasonable grounds for regarding certain elective offices as incompatible with tenure of specific positions (e.g. the judiciary, high-ranking military office, public service), measures to avoid any conflicts of interest should not unduly limit the rights protected”.¹¹

Limitations on the right to stand for office could be reviewed to further enhance full compliance with OSCE commitments and international obligations.

V. ELECTORAL SYSTEM

Members of parliament are elected for a five-year term through a single transferable vote (STV) system, modified to ensure that the number of seats allocated to parties is in proportion to the first preference votes obtained by their candidates.¹² Initially, the number of members of parliament is set at 65, but based on results it can be increased to achieve this proportionality objective.¹³ For these elections, Malta was divided into 13 multi-mandate electoral districts, each generally returning 5 elected members.¹⁴

Under the STV system, voters indicate their preferences by ranking, in numerical order, as many candidates on the ballot as they wish.¹⁵ In order to win seats, candidates must attain a quota of votes in their electoral district. The quota is determined by dividing the total number of valid ballots in each electoral division by the number of seats plus one. The allocation of seats proceeds as a series of counts. At the end of each count, there is either an elected candidate(s) or an excluded candidate(s).

During the first count, if a candidate received first preference votes equal or greater than the electoral quota, they are deemed elected. If the votes received by the elected candidate exceed the quota, the difference between the votes received and the quota is called a surplus, which is then distributed to the next candidates.¹⁶ If no candidate is elected during the count and therefore no surplus remains to

¹⁰ Paragraph 7.5 of the 1990 OSCE Copenhagen Document states that “participating States will [...] respect the right of citizens to seek political or public office, individually or as representatives of political parties or organizations, without discrimination.”

¹¹ Also, in *Ahmed and Others v. The United Kingdom* (65/1997/849/1056), the ECtHR noted that “the restrictions imposed on the applicants’ right to contest seats at elections must [...] secure their political impartiality. That aim must be considered legitimate for the purposes of restricting the exercise of the applicants’ subjective right to stand for election under Article 3 of Protocol No. 1 [...] any of the applicants wishing to run for elected office is at liberty to resign from his post.”

¹² A constitutional crisis ensued in 1981 when the NP obtained a majority of first preference votes but not a legislative majority. In 1987, the Constitution was amended so that the party which attains more than 50 per cent of valid first preference votes is guaranteed a majority by allocating extra seats, if necessary. Amendments in 1996 and 2007 were passed to further proportionality, but only in situations when just two parties obtain seats. These ensured a parliamentary majority when only a relative majority is achieved and, when an absolute majority is achieved, bonus seats would be provided to the party in the minority when the proportion of candidates that the minority party elects is less than the proportion of first preference votes obtained by its candidates.

¹³ In accordance with Articles 52(1) and 56(1) of the Constitution, the parliament shall contain an odd number of members divisible by the number of electoral districts, as the parliament shall determine by law, as long as each electoral district elects no less than five and no more than seven members and there be no less than 9 and no more than 15 electoral districts.

¹⁴ The electoral boundaries were most recently reviewed in 2012.

¹⁵ Voters may rank candidates from different political parties; however, past election results and OSCE/ODIHR EAM interlocutors indicate that voters rarely vote for candidates not affiliated with their chosen party.

¹⁶ The surplus is transferred at a ratio found by taking the elected candidates surplus ballots divided by the total number of votes the elected candidate received.

distribute, the candidate with the least number of votes is excluded and their ballots' second preferences are distributed to the remaining candidates. Further counts are conducted until all vacant seats are allocated to candidates on the basis of second, third and further preferences. A ballot paper only becomes non-transferable when no second or subsequent preference is indicated or if it is not clear which candidate the next preference should be allocated to. On the last count, a candidate may potentially be elected without reaching the quota.

The aforementioned regulation to establish proportionality was triggered during these elections and the NP was awarded four additional seats so that the difference in seats between the NP and the LP would be proportional to the first preference votes they obtained. This increased the number of members of parliament to 69.

VI. ELECTION ADMINISTRATION

Parliamentary elections are administered by the EC. It is a permanent body with eight members and a Chief Electoral Commissioner, with three-year terms in office. Members are appointed by the president based on proposals by the prime minister after consultations with the leader of the opposition. Generally, the commissioners are equally appointed from the two parliamentary parties. The Chief Electoral Commissioner is a public servant who is appointed by the prime minister. In addition to the EC members, each parliamentary party may nominate two party delegates to represent them at the EC.

The EC is responsible for the oversight of the entire electoral process as well as for most of the technical preparations for the elections and has direct oversight of the counting process. It also reviews the boundaries of electoral divisions every five years and, if necessary, proposes alterations. On election day, the EC operates a hotline where they directly answer questions from any electoral official in the country.

The EC is assisted by a secretariat consisting of some 50 staff which produce and organize the distribution of materials such as the voter lists, ballots, voting documents and special ballot templates for visually impaired voters. It also creates and distributes written instructions for trainings and hosts a website with voter and candidate information. Voter education is not provided by the EC as it is assumed that political parties provide sufficient information to voters.

During the electoral period, the EC generally meets once per week. Meetings are held behind closed doors and decisions are only provided to those involved in the decision. No minutes or decisions are published except press releases and government notices pertinent to the public.

Notwithstanding the overall confidence in the performance of the election administration, with a view to further enhancing transparency, the Electoral Commission should consider having open meetings and publishing all decisions in a timely manner.

There are no intermediary commissions between the EC and polling stations. On election day, polling is conducted by 609 polling station commissions, in 110 polling locations, composed of Assistant Commissioners (ACs) appointed directly by the EC. Each polling station is staffed by a minimum of three ACs, at least two of whom are hired directly by the EC. All ACs are trained by EC representatives. The political parties could nominate one AC per station as well, however by law, the EC randomly assigns all ACs, ensuring that they are not stationed in a district they normally reside or

work in. In addition to being an AC, the law allows for party nominees to simultaneously act in the capacity of a party agent.¹⁷

Consideration could be given to reviewing the current arrangement for the simultaneous appointment of people as party agents and Assistant Commissioners, with a view to avoid perceptions of potential conflict of interests.

A special EC sub-committee was established for organizing voting in hospitals and retirement homes. As elections in these facilities were conducted in advance of election day, members of the EC directly administered these elections with a representative from each of the political parties.

While the gender balance seemed to be well distributed among the ACs observed, the EC itself was an entirely male team. The absence of women in senior positions within the election administration is at odds with obligations outlined in the United Nations Convention on the Elimination of All Forms of Discrimination against Women (CEDAW).¹⁸

Consideration could be given to introducing mechanisms that would ensure greater participation of women in senior decision-making roles within the election administration.

Overall, the election administration organised and administered the elections in a professional, efficient, and well-organized manner. All electoral deadlines were respected. The election administration enjoyed a high degree of public confidence, in part created by providing the parties full access to the electoral process.

VII. VOTER REGISTRATION

Voter registration is passive and voters are automatically included in voter lists extracted from a voter register that is maintained and updated by the EC. Voters must be registered in the electoral district they habitually reside in and may only cast their ballot in this same area. The register is a single database with records updated on the basis of data supplied monthly by civil institutions, primarily the Public Registries of Malta and Gozo. An update of the voter register is published for public scrutiny biannually. In addition, following recent amendments to the General Elections Act, the EC must publish a further update of the register within five days of elections being announced. All OSCE/ODIHR EAM interlocutors expressed a high level of confidence in the accuracy and inclusiveness of the voter register.

The voter register was published on 12 January and voters could apply for corrections until 4 February. In total, 333,072 citizens were included on the register for these elections, including some 23,850 first time voters.¹⁹ The voter register was published in the government's official gazette. In

¹⁷ As per Article 61(1) "Every political party shall have the right to nominate as its agents such number of persons as is equal to the number of ballot boxes and such persons are in this Act referred to as party agents. A political party may designate as a party agent, a person already nominated by it as Assistant Commissioner in which case such person may act both as Assistant Commissioner and party agent".

¹⁸ Article 7(b) of CEDAW. Paragraph 26 of General Recommendation 23 on CEDAW by the UN Committee on the Elimination of Discrimination Against Women provides that "states parties have a responsibility, where it is within their control [...] to appoint women to senior decision-making roles".

¹⁹ Recent amendments to the General Elections Act, allow those who reached the age of 18 prior to election day to be added to the voter register, while in the past only those aged 18 at the time of the October publication of the voter register were included.

addition, both parliamentary parties provided applications on their website in which voters could enter their national identification numbers to confirm their voter registration details.

Citizens could request the EC to correct the voter register should they not be found on the register or if their or other citizens' details are incorrect. Any decision the EC takes on registration matters can be appeal to a Revising Officer. If an application is filed on the grounds of a voter's mental incapacity, the case must be referred to the Medical Board. While any registered voter or citizen who believes they should be on the voter register may apply for changes to the register, most cases regarding voter registration issues are brought by political parties. Many cases stem from the question of whether a voter meets the six-month residency requirement to be eligible to vote. The majority of OSCE/ODIHR EAM interlocutors acknowledge that this provision is difficult to prove, especially since Malta signed the Schengen Agreement and borders within the Schengen area are no longer monitored. Subsequently, relatively few cases were brought forward and the EC approved a total of 65 additions to the register, 2 deletions and 8 entries to be corrected.

Voters can only vote with a personalized voting card, which includes the personal data and photo that would appear on the voters' national identification document, as well as information on where and when they may vote. Voting cards were prepared by the EC and distributed door-to-door by police officers, accompanied by political party representatives. If the registered voter was not at home at the time of delivery, the documents could be left with anyone in the home over the age of 18. Lists of voters whose voting cards could not be delivered were published in the official gazette and these individuals could collect their voting card in person until 7 March by showing their national identification document.²⁰ If an individual did not obtain their voting card by 7 March or lost it after this date, they could not vote.²¹ The OSCE/ODIHR EAM was informed that the production and distribution of the voting cards consumed approximately 10 per cent of the electoral budget.

Following the planned update of national identification cards, the authorities could consider reviewing the need for voting cards in order to bring down election expenditures and ensure voters are not disenfranchised for losing their voting document prior to election day.

Voter registration in hospitals occurred separately, as any eligible citizen registered as a patient in hospital on 5 March was automatically registered to vote in early voting at that hospital on 8 March, regardless of whether that voter was released before voting commenced. The relevant data on patients was transferred to the EC, which shared the list with the political parties.

VIII. POLITICAL PARTY AND CANDIDATE REGISTRATION

Candidates can be nominated independently or as a political party representative, in line with paragraph 7.5 of the 1990 OSCE Copenhagen Document. Candidate nominations require signatures of a minimum of four voters registered in the electoral district for which the candidate is nominated. Nominations were to be submitted to the EC along with a EUR 90 deposit. The legal framework does not include any provisions for the registration of political parties and the only definition of a "political party" is in Article 2 of the General Elections Act, according to which a political party is defined as "any person or group of persons contesting the election as one group bearing the same name."

²⁰ Voting cards were available at local police stations from 23 February to 2 March and from 4 to 7 March at the EC in Valletta or the Identity Card Office in Gozo.

²¹ In total, 6,523 voting cards remained uncollected after 7 March.

The candidate registration process for these elections was inclusive. A total of 168 candidates, the majority of whom represented the two parliamentary political parties, were registered. The NP put forward 70 candidates, while the LP nominated 86. The DA contested the elections with nine candidates, and single candidates were registered by both the Democratic Liberal Alliance and the Eagle's Party. One candidate ran as an independent.

There are no legal requirements to promote women candidates, although party representatives informed the OSCE/ODIHR EAM that they apply self-imposed voluntary measures to promote gender balance in their internal party structures. Of the 168 candidates, 26 were women, representing some 15 per cent of all candidates.²² The NP, LP and DA stated that despite their best efforts it was difficult to convince women to contest elections. In addition, the current wording of the General Elections Act implies only male participation.

Consideration could be given to introducing measures to promote women candidates. The General Elections Act could be updated to apply gender sensitive language. Political parties could also consider nominating a minimum number of candidates of each gender.

IX. ELECTION CAMPAIGN

The election campaign began on 7 January following the announcement of elections and ended 24 hours before election day. The campaign environment was generally peaceful, and marked by strong competition both between the parliamentary parties and inter-party competition between candidates in their respective electoral districts. In order to minimize tensions during the campaign, the leadership of NP and LP, in conjunction with the police, co-ordinated the locations of their respective rallies.

The campaigns by NP and LP were far more visible than the ones launched by other electoral contestants. These two parties benefitted from well-developed networks, including party-owned businesses. In contrast, DA and other candidates had substantially less political and financial strength and their campaigns were less visible.

The main topics of the campaign included the economy and employment issues, with a particular emphasis on energy sources and costs, as well as education and healthcare services. The key electoral contestants, NP, LP and DA, presented comprehensive electoral platforms in which they addressed a variety of issues and targeted different electorates. The parties' leaders tried to pace their campaigns by dedicating each week to a different portion of their platforms. Although the official electoral campaign lasted nine weeks, the OSCE/ODIHR EAM interlocutors indicated that party leaders started campaigning as early as May 2012, when it became apparent that the NP parliamentary majority appeared fragile.

Individual candidate campaigns were framed by the overarching campaigns of their parties. Candidates utilized door-to-door campaigning, small gatherings, and mailing leaflets directly to voters. On a larger scale, parties embarked on billboard campaigns, TV spots, print and online advertisements, and rallies. While the OSCE/ODIHR EAM interlocutors confirmed that posters were excluded in order to keep the streets clean, the DA asserted that this necessitated the use of costly billboards that limited the campaign for smaller electoral contestants. The parties also sought direct contact with voters through canvassing, as well as mail, email and text messages.

²² NP – 13 out of 70 candidates were women; LP - 12 out of 86; and DA - 1 out of 9. There were no female independent candidates. In comparison with the 2008 and 2003 elections this represented an increase, when the number of women candidates amounted to 10.7 per cent and 10.5 per cent respectively.

The few women candidates were visible during the campaign, while at the same time civil society and the media fostered discussion on women's participation in politics and potential gender quotas for candidate nominations. However, several women candidates informed the OSCE/ODIHR EAM that during door-to-door campaigning they were often faced with voters who questioned their place in politics rather than dedicating themselves to a more traditional role of taking care of the family. During the campaign, a few instances were observed of electoral contestants being presented in advertisements in a negative manner without the source being published. Such practices undermine campaign transparency.

Consideration could be given to requiring all electoral advertisements to clearly state which party, group, or individual procured the advertisement, so that voters can make informed choices.

X. PARTY AND CAMPAIGN FINANCE

A. OVERVIEW

There are no political finance laws except a few provisions in the General Elections Act that regulate candidate campaign expenses. Political party and campaign financing, however, has been the subject of parliamentary debate for some time. Some OSCE/ODIHR EAM interlocutors referred to a 1995 report prepared by a government commission, which proposed limitations on donations and measures of transparency for such donations.²³ As the parliament could not come to an agreement on proposed limitations to donations, the report's recommendations were never implemented. In 2009 the Council of Europe's Group of States against Corruption (GRECO) issued an Evaluation Report on Malta on Transparency of Party Funding in which it highlighted the lack of regulations or transparency mechanisms, and recommended potential areas for improvement.²⁴

In 2011, the government proposed the Political Parties Act, a draft law to address the GRECO recommendations, but the act was not adopted by parliament. Since then the authorities have not undertaken any legislative measures to regulate political party or campaign financing.²⁵ All OSCE/ODIHR EAM interlocutors underlined the need to develop such legislation and expressed their support for greater transparency, anticipating that this would increase public trust in political parties.

The legal framework would benefit from enacting a comprehensive system for regulating party and campaign financing.

The two parliamentary political parties own a number of companies and properties, the revenues of which can be used for any purpose. Furthermore, these parties maintain their own television and radio stations, newspapers and news portals. Such resources are not enjoyed by non-parliamentary parties,

undermining the ability of candidates to campaign on a level playing field.²⁶

²³ The report was prepared by the Commission for the Finance of the Political Parties and Candidates for General Elections in the Office of the Cabinet.

²⁴ See, [www.coe.int/t/dghl/monitoring/greco/evaluations/round3/GrecoEval3\(2009\)2_Malta_Two_EN.pdf](http://www.coe.int/t/dghl/monitoring/greco/evaluations/round3/GrecoEval3(2009)2_Malta_Two_EN.pdf), and the 2011 report, [www.coe.int/t/dghl/monitoring/greco/evaluations/round3/GrecoRC3\(2011\)11_Malta_EN.pdf](http://www.coe.int/t/dghl/monitoring/greco/evaluations/round3/GrecoRC3(2011)11_Malta_EN.pdf).

²⁵ Paragraph 59 of the OSCE/ODIHR and Venice Commission Guidelines on Political Party Regulations provide that "The regulation of political party funding is essential to guarantee parties independence from undue influence created by donors, to ensure parties the opportunity to compete in accordance with the principle of equal opportunity, and to provide for transparency in political financing." Available at <http://www.osce.org/odihr/77812>.

²⁶ Paragraph 7.6 of the 1990 OSCE Copenhagen Document requires participating States to provide "political parties

In order to provide for a more level playing field during election campaigns, it is important that campaign finance provisions are clearly defined and separated from regular party operations.

B. PARTY AND CAMPAIGN CONTRIBUTIONS

Political parties and their campaigns are funded primarily through individual and company donations. Parties and candidates can receive unlimited funds from any source, and have no requirements to disclose the source or amount of such donations. There is no regulation of in-kind donations. All OSCE/ODIHR EAM interlocutors regarded the transparency of donations as one of the main issues that need to be addressed, in order for voters to be properly informed and avoid and to minimize perceptions of businesses purchasing political influence.

Authorities could consider introducing requirements for political parties and candidates to disclose donation amounts and the identity of all individuals who donate above a certain minimum threshold, while also prohibiting donations from anonymous donors. To further enhance the transparency of campaign finance, it is recommended that in-kind donations and loans are disclosed.

Consideration could also be given to the introduction of limits for individual and company donations to political parties and candidates in order to minimize possibilities for corruption or the ability of particular groups to gain undue political influence through financial advantage.

The law does not provide for direct public funding of parties or electoral contestants, however, some indirect public funding is foreseen through the Income Tax Act, which provides for a tax exemption on political party income, including income from party affiliated clubs.²⁷ In addition, the supply of services by “non-profit organizations of political nature” to their members is exempt from the Value Added Tax.²⁸ Similarly, a deduction of expenses incurred by an elected candidate to support his/her campaign is given, as long as these do not exceed the ceiling stipulated in the General Elections Act.

C. CAMPAIGN EXPENDITURES

Total campaign expenditures per candidate must not exceed EUR 1,400. This limit was criticized by all OSCE/ODIHR EAM interlocutors as being unreasonably low to conduct an effective campaign that encompasses all campaign-related expenditures.²⁹

Consideration could be given to adjusting campaign expenditure limits for individual candidates to a more realistic and appropriate level. Consideration could be given to basing the legal limit on a form of indexation rather than an absolute amount in order to take account of inflation.

While legal limits on campaign expenses for individual candidates exist, there are no such ceilings on party expenditures. Several OSCE/ODIHR EAM interlocutors argued that this led to a distorted electoral campaign that disproportionately favored the two well-resourced parliamentary parties.

or other organizations with the necessary legal guarantees to enable them to compete with each other on a basis of equal treatment before the law and by the authorities”.

²⁷ Article 12(1)(f) of the Income Tax Act (Chapter 123 of the Laws of Malta).

²⁸ Article 8 of Part 2 of the Value Added Tax (Chapter 406 of the Laws of Malta).

²⁹ According to paragraphs 193-197 of the OSCE/ODIHR and Venice Commission Guidelines Political Party Regulations “This requires that spending limits be carefully constructed so that they are not overly burdensome” and “Limits should be realistic, to ensure that all parties are able to run an effective campaign, recognizing the high expense of modern electoral campaigns.”

D. REPORTING AND OVERSIGHT REQUIREMENTS

The law does not require political parties to report campaign contributions and expenditures. Likewise, there is no special authority mandated to oversee campaign finance or mechanisms for their effective control. The only regulations applicable refer to claims against a candidate or their agent, which should be submitted within 14 days after the day the candidate is elected. The agent is then required to report candidate expenses to the EC within 31 days after the announcement of election results. However, the EC does not have the legal authority to verify the accuracy of these financial reports or effective means to apply sanctions. Furthermore, the law does not require the EC to publish its conclusions on candidate reports, nor does it establish a deadline for the publication of these reports for public inspection. These factors undermine the effectiveness of any reporting mechanism and potentially decrease the electorate's trust in the way election campaigns are financed.

Consideration could be given to establishing an independent body with a mandate and resources to undertake full campaign finance audits. Candidates and parties could be subject to effective and proportionate sanctions should they violate campaign finance laws.

Consideration could also be given to requiring parties and candidates to open dedicated bank accounts for campaign financing, through which all campaign transactions should be made.

Consideration could be given to requiring both candidates and political parties to provide regular detailed reports on their campaign income and expenses, within an acceptable time limit. These could be made public, in a timely manner, in order to improve transparency and accountability.

XI. MEDIA

A. MEDIA LANDSCAPE

The media environment is pluralistic and diverse. Public and private television channels, radio stations and newspapers offer a wide variety of sources for news and the internet is fast becoming an important source of information for voters.³⁰

There are nine television channels in Malta. The state-owned Public Broadcasting Services (PBS) operates *TVM* and *TVM2*, and both of the parliamentary political parties operate a television channel.³¹ The state-run *TVM* is the most viewed television channel, followed by the LP channel, *ONE TV*, and the PN channel, *NET TV* third.³² In addition, PBS operates three radio stations,³³ and there are about 13 FM/AM analogue radio stations in addition to numerous local radio stations with limited range. The most listened radio station is the private *Bay Radio*, followed by the LP station, *ONE Radio*. The PBS station, *Radio Malta* is the third most popular.

³⁰ The National Statistics Office (NSO) reported that 78 per cent of homes were connected to the internet in 2012. Of young people (16 to 24 years old), 98 per cent have internet access. Of internet users, 40 per cent have smart phones and 28 per cent of these use their phones to read news and 28 per cent to access social networks such as Facebook or Twitter.

³¹ The NP owns *NET TV* and the LP owns *ONE TV*. Other, independent commercial stations include *SMASH TV* and *Favourite TV*, but these have limited viewership.

³² "TVM Continues to Lead TV Ratings," *TheTimesofMalta.com*, February 6, 2012. See.

³³ <http://www.timesofmalta.com/articles/view/20120206/local/tvm-continues-to-lead-tv-ratings.405605>.

³³ Magic Malta 91.7, Radio Malta (93.7), and 106.6.

Some 27 per cent of citizens read a daily newspaper, and there are numerous newspapers published.³⁴ Both parties have newspapers that serve as conduits for their partisan messages.³⁵ Several OSCE/ODIHR EAM interlocutors agreed that *The Times* is the most read paper and *L-orizzont* is thought to be a distant second.

State-owned media have a special responsibility to provide balanced and neutral information on elections and on candidates and parties. A number of OSCE/ODIHR EAM interlocutors, however, expressed strong feelings that the state media are heavily biased in favor of the NP. In addition, while there were no concerns that media faced any interference in gathering and imparting information freely without intimidation, obstruction or censorship, one independent paper alleged that they are subject to a *de facto* advertiser boycott because of their opposition to the outgoing government.

While parliamentary parties had ample access to the media, independent candidates and non-parliamentary parties complained to the OSCE/ODIHR EAM that they did not receive adequate coverage. Nevertheless, few concerns were raised that voters had insufficient access to diverse information to enable them to make well-informed choices.

B. LEGAL FRAMEWORK

Many principles important to free speech and a free press are enshrined in the law, including freedom of expression, impartial and accurate broadcasting of politics and public policy; fair access for political parties; and media pluralism.³⁶ While these principles are generally respected, a number of OSCE/ODIHR EAM interlocutors criticized defamation laws, both civil and criminal, as creating obstacles to professional and effective journalism

Consideration should be given to decriminalize defamation, in line with international good practice on freedom of expression.

The Constitution delegates responsibility for regulating broadcast media to the Broadcasting Authority (BA), which consists of four members appointed by the president after consulting the prime minister and the leader of the opposition. In practice, two members are chosen to represent the interests of the NP and two to represent the LP. The chairperson is then selected among the members, but if they cannot agree, then the prime minister appoints. This system was criticized by the smaller parties as biased toward the two parliamentary parties. The Chairperson of the BA indicated support for reforming the way the BA is comprised so as to insulate it from partisan considerations.³⁷

Consideration could be given to reviewing the manner of selecting the members of the Broadcasting Authority with a view to protect the body from possible political interference.

³⁴ Circulation data are difficult to obtain and widely considered unreliable. One study cited a Media Warehouse figure of 27 per cent in 2008. Other interlocutors considered this figure to be high. See, http://ejc.net/media_landscapes/malta.

³⁵ The NP operates *In Nazzjon*. The newspaper often associated with the LP, *l-orizzont*, is actually the official paper of the General Workers' Union. The LP maintains that they have no control over the paper, but they acknowledge that its editorial policies favour the LP.

³⁶ Article 32(b) of the Constitution. The Broadcasting Act restates many of these principles and imposes an obligation on the Broadcast Authority to ensure their realization.

³⁷ There are a number of proposals that have been raised and debated. The Today Public Policy Institute released a document in 2012, "A Strategy for Addressing the Nation's Priorities," that included specific recommendations for reforming broadcasting laws. Last year the President also convened a forum of scholars that discussed Constitutional reform that reportedly included some reforms of the BA.

For these elections, the BA issued several directives aimed at providing guidance to broadcasters on the rules for covering the elections.³⁸ These rules provided detailed instructions regarding televised debates; press conferences, political spots and productions; and the allocation of free time to the LP, NP, and DA on all broadcast stations during the campaign period. While the DA complained that media coverage and the media laws are biased in favour of the two parliamentary parties, they also noted that the amount of time allocated to them under the BA directive was more than they would likely get if such allocations were based on popular support. Independent candidates expressed discontent with their lack of coverage in the media.

The BA focuses its regulatory mandate on PBS, acknowledging that the two party stations do not offer balanced coverage individually, but that their partisan leanings balance each other out. While the legal framework does appear to allow this interpretation, many OSCE/ODIHR EAM interlocutors noted that the Constitution and the Broadcasting Act could allow the BA to demand impartiality on each and every broadcast outlet if it chose to do so.³⁹

The print media are not regulated, except by provisions of the General Elections Act that restricts what may be printed during the campaign silence period. Self-regulation is provided through a voluntary association, the Institute of Maltese Journalists (IGM), which established a Code of Ethics and an Ethics Board. While the Code of Ethics aims at achieving high standards of journalism, the board is widely regarded as ineffective and several OSCE/ODIHR EAM interlocutors suggested ways to enhance self-regulation.

C. MEDIA COVERAGE OF ELECTIONS

There were three televised debates and numerous discussion programmes that provided opportunities for party representatives to discuss campaign issues. While some OSCE/ODIHR EAM interlocutors thought the BA regulations for these programmes were overly restrictive, no concerns were voiced in respect of the provision of information needed for voters to make informed decisions.

The campaign silence period was largely followed by the media, although criticized by several media outlets as an infringement of their right to free expression. Police, however reacted to violations of this rule and questioned people concerning comments made on the internet. It was not clear at the time of this report whether any sanctions would be imposed against alleged infractions.

The BA received three complaints against broadcasting stations. One of these was filed by the DA and one by a newspaper editor; both were settled amicably. The third case was filed by the LP, arguing the lack of impartiality and hostility towards its representative during a *TVM* programme by the presenter. This was decided in favor of the complainant.

³⁸ “Directive by the Broadcasting Authority in Terms of Article 15 of the Broadcasting Act, 16 January 2013. Rules for Debates between Political Leaders”. Available at: <http://www.ba-malta.org/prdetails?id=245>.

³⁹ Article 13(2) of the Broadcasting Act explicitly allows the BA to consider the output of the various broadcasting outlets as a whole when considering impartiality.

XII. ELECTION OBSERVATION

Political parties have full access to all stages of the electoral process through party agents who may at the same time act as ACs on election day. Also, in line with its OSCE commitments, the authorities invited the OSCE/ODIHR to observe the elections and provided the mission unimpeded access to all stages of the electoral process. The OSCE/ODIHR EAM observers were welcomed by all election stakeholders, including in the polling stations on election day and in the counting centre on the following days. However, the legal framework does not explicitly provide for citizen or international election observation, falling short of compliance with paragraph 8 of the 1990 OSCE Copenhagen Document.⁴⁰

Consideration should be given to amending the legal framework to explicitly provide full access to the electoral process to international and citizen observers, in order to comply with paragraph 8 of the 1990 OSCE Copenhagen Document.

XIII. COMPLAINTS AND APPEALS

The Constitution and the General Elections Act provide various administrative and judicial procedures for addressing election-related disputes. In general, few election-related complaints and appeals were filed during these elections. OSCE/ODIHR EAM interlocutors did not express concerns with regard to the election dispute resolution system.

Objections to candidate nominations should be filed with the EC within two days of the expiration of the deadline for receipt of nominations and the Court of Appeal examines appeals against EC decisions that uphold objections against candidate nominations. Revising Officers are mandated to review requests for amending the voter register and appeals against these decisions may be filed with the Court of Appeal.

While such requests must be filed within 21 days from the date the voter is informed of the decision by the EC, there are no specified deadlines for considering these cases. However, the law does provide that the Revising Officers and the Court of Appeal should consider all election-related disputes 14 days before election day. Additionally, the law does not provide a deadline for the Constitutional Court to adjudicate petitions referred to it. Although it is commendable that the Constitutional Court examined and ruled on the two petitions filed by the NP in a timely manner, the guarantee of a timely remedy in election-related disputes is integral to the principle of effective means of redress set out in paragraph 5.10 of the 1990 OSCE Copenhagen Document and should be explicitly stipulated in the law.⁴¹

Consideration should be given to set specific time limits for the adjudication and publication of election-related complaints and appeals by the Electoral Commission and the courts in order to be fully consistent with paragraph 5.10 of the 1990 OSCE Copenhagen Document.

⁴⁰ Paragraph 8 of the 1990 OSCE Copenhagen Document provides that “the participating States consider that the presence of observers, both foreign and domestic, can enhance the electoral process for States in which elections are taking place. They therefore invite observers from any other [O]SCE participating States...”

⁴¹ Paragraph 5.10 of the 1990 OSCE Copenhagen Document states: “Everyone will have an effective means of redress against administrative decision, so as to guarantee respect for fundamental rights and ensure legal integrity”. The Venice Commission’s Code of Good Practice, paragraph 95, stipulates: “A time limit of three to five days at first instance (both lodging appeals and making rulings) seems reasonable for decisions to be taken before the elections. It is however, permissible to grant a little more time to Supreme and Constitutional Courts for their rulings”.

One appeal was submitted to the Court of Appeal regarding the registration of a candidate and another was submitted regarding voter registration.⁴²

The Constitutional Court is mandated to adjudicate other election-related complaints, including election results. Upon submission of a petition, it can order a re-count of all or part of the ballots, or annul the elections in all or some of the electoral districts if irregularities might have affected the final results. During the counting process, NP contestants filed two petitions with the Constitutional Court requesting recounts of two electoral districts on the grounds of errors committed during count.⁴³ The Court rejected the petitions reasoning that the NP candidates would be elected in any case based on the principle of proportionality invoked in these elections.⁴⁴

In addition to the DA complaint noted above regarding the lists of voters from retirement homes and hospitals that was to be submitted to the EC and shared with parties daily from the date that elections were announced until election day, the IDPC received some 60-100 election related complaints regarding unsolicited messages and emails sent by parties and candidates to voters. The IDPC requested that parties provide documented evidence that the emails addresses of the complainants had been obtained with their consent. In case of failure to do so it issued warnings and informed the parties that an administrative fine would be imposed if the act was repeated.

XIV. VOTING, COUNTING AND TABULATION OF RESULTS

In line with the OSCE/ODIHR's methodology, the EAM did not observe election day proceedings in a systematic or comprehensive manner. However, mission members visited a limited number of polling stations in Valletta and Rabat and early voting in Naxxar.

A. EARLY VOTING

Early voting commenced on 2 March at a single polling station for voters that provided a sworn declaration that they would be outside of Malta on 9 March.⁴⁵ As voters could come from any electoral district, ballots for all districts were available to the 2,269 voters that used this opportunity to vote.⁴⁶

ACs were provided with the opportunity to vote on 8 March at the same polling place utilized on 2 March. A total of 4,519 ACs took this opportunity to vote. For the first time in Malta, special voting was available in hospitals and retirement homes.⁴⁷ Voters residing in these facilities were served by a special sub-committee for each facility that provided ballots for every district. Voting in these facilities proved popular as 1,453 citizens voted and in some facilities queues remained after the 22:00 closing

⁴² In one case a candidate challenged the denial to print her name on the ballot without her former husband's surname. The EC held that a candidate's name on the ballot appear as it is on the electoral register; the Court of Appeal upheld this decision. In a second case the Court of Appeal accepted the appeal and ordered the EC to register the complainant as a voter.

⁴³ Civil Appeal Number 525/2013/1, *Frederick Azzopardi and Dr. Justyne Caruana v. EC*, and Civil Appeal Number 526/2013/1, *Claudette Buttigieg v. EC*, hearings of 13 March 2013.

⁴⁴ The two NP candidates affected filed another petition against the EC with the Constitutional Court on 20 March, arguing that the electoral results "do not reflect the will of the people". The first sitting was held on 15 April and the case has been adjourned until 17 June.

⁴⁵ Voters were required to complete this declaration in person between 25 February and 1 March.

⁴⁶ Each district had its own ballot box and was stored in a secure room until counting began on 9 March.

⁴⁷ As per Article 80 of the General Elections Act, only retirement homes with at least 50 voters were eligible.

time. As per the legal requirement, voting continued until all those within the polling place had cast their vote.

Out-of-country voting is not available for citizens living abroad. However, the government provided subsidized flights on Air Malta for registered voters and their dependents to return to Malta to cast their ballots in person.⁴⁸ For these elections, flights cost EUR 35 per person and 4,598 passengers were provided such flights, of which approximately 20 per cent were dependents of voters. Political parties were invited to obtain daily updates of the passenger lists and availability of space on all eligible flights to alleviate concerns of misappropriating seats. Several OSCE/ODIHR EAM interlocutors suggested that the flights provided by Air Malta were less effective and more costly than other potential methods of providing expatriates with voting possibilities.⁴⁹

B. ELECTION DAY VOTING

Polls were open from 07:00 until 22:00. In some districts, turnout was heavy in the morning and voters were faced with long queues. In all locations visited by the OSCE/ODIHR EAM, the voting process was professionally administered and took place in a peaceful manner. Police officers were present at all polling places, generally controlling the lines of voters waiting to cast their vote. Public interest on election day was very high and some citizens were observed spending long periods of time just outside the required 50-metre zone within which loitering was prohibited.

In the limited number of polling stations visited by the OSCE/ODIHR EAM, the ACs were well-prepared and acquainted with their responsibilities. In general, voters were processed quickly and efficiently, especially given the preferential ballot and that many districts concurrently held local elections. Voters were required to identify themselves with their voting card, which they exchanged for a ballot.

The OSCE/ODIHR EAM noted that election day enjoyed a high level of trust from voters and political parties. Furthermore, safeguards were implemented at every stage, including the right for parties to affix their own seals on ballot boxes and to stamp ballots along with those of the EC.⁵⁰

C. VOTERS WITH SPECIAL NEEDS

All polling stations visited by the OSCE/ODIHR EAM were wheelchair accessible. While braille templates and audio recordings were provided for visually impaired voters, most voters did not use these facilities. It would appear that only a fraction of such voters knew how to use braille and were comfortable using the templates provided.⁵¹

Visually impaired voters or other voters with special needs, such as the illiterate or physically incapacitated, had to request assistance from the ACs rather than assistance by another voter of their

⁴⁸ Voters were required to fly into Malta from 27 February to 9 March and had to use the return portion by 17 March. No date changes were permitted for these subsidized fares.

⁴⁹ A petition calling for out-of-country voting in embassies for these elections garnered some 1,300 support signatures. See: www.change.org/petitions/make-an-absentee-ballot-system-a-key-part-of-the-2013-election-campaign.

⁵⁰ However, only the seals and stamps of the EC are legally required. If a party stamp or seal is missing, it has no bearing on the validity of a ballot or whether the EC shall raise concern on the security of the ballot box.

⁵¹ According to the EC, in 2008 only three voters used Braille templates available for visually impaired voters while over 1,000 sought the assistance of ACs.

own choice.⁵² When such a request was made, the polling station was closed to other voters and the voter with special needs had to verbally confirm their voting preferences to the chief AC in the view of the other ACs. This seemingly puts political party concerns of undue influence on the voter ahead of the right to vote in secrecy.⁵³ In addition, in the polling stations visited by the OSCE/ODIHR EAM, it seemed that some capable elderly voters were encouraged to use the assistance of the ACs when they appeared to be able to vote independently. This contributed to the formation of long lines of voters waiting to cast their ballots as it considerably slowed the process.

Further efforts should be made to ensure the secrecy of the vote for all voters with special needs. This could include allowing such voters to select a person of their own choice to assist them in casting their vote.

D. COUNTING, TABULATION AND THE ANNOUNCEMENT OF RESULTS

At the close of polls, materials were reconciled in the polling stations with the ballot boxes remaining sealed. All polling materials were brought to the national counting centre in Naxxar. Counting began at 11:00 on the day after the elections, with each district being counted at a separate counting station. All proceedings at the count centre were conducted with full transparency, including the presence of candidate and party agents and the entire proceeding being broadcast on national television. Party agents had full view of the counting process from behind transparent plastic barriers from where they were able to question particular ballots and at the same time tabulate samples to determine a winner prior to official results being announced.

The counting process was conducted efficiently and transparently. Although unofficial overall results were acknowledged early in the process, counting continued for nearly 24 hours, with 8 hour counting staff shifts. Over 20 rounds of counting to transfer surplus ballots and allocate seats were required in 4 districts.⁵⁴

After preliminary results were announced, the NP requested recounts in two districts based on concerns that there were mistakes made transferring a few ballots to the incorrect candidate; however, the EC ruled that the law provides it no authority to conduct a recount after a particular count is completed and any request for a recount had to be made to the Constitutional Court. The Constitutional Court rejected the recount request and final results were announced on 13 March, with a traditionally high turnout of 93 per cent.

As the General Elections Act allows for candidates to run in two districts simultaneously, if a candidate was elected in both districts, they were required to resign from one. The vacated seat was filled by conducting a ‘casual election’, which means taking the ballots attributed to the candidate that resigned and utilizing the subsequent choices on those ballots to fill the vacancy. Casual elections were held to fill 11 such vacated seats and only candidates originally on that ballot and later nominated for the casual election were eligible.⁵⁵

Of the 69 seats allocated from these elections, 10 women won seats, corresponding to some 14 per

⁵² Article 29(a.iii) of the United Nations Convention on the Rights of Persons with Disabilities require States Parties to allow persons with disabilities "assistance in voting by a person of their own choice." While Malta is a signatory to this convention, it placed a reservation on this particular article.

⁵³ Paragraph 7.4 of the 1990 OSCE Copenhagen Document stipulates that participating States should “ensure that votes are cast by secret ballot or by equivalent free voting procedure”.

⁵⁴ Districts 1, 9 and 11 required 22 rounds of counting, while District 13 required the least at just 10 rounds.

⁵⁵ Casual elections were held on 28 March and 3 April to replace five LP seats and six NP seats.

cent of all members of parliament, which is a substantial increase in comparison with the previous elections.⁵⁶ Nevertheless, the current representation of women is significantly below what is considered the current OSCE average of 23.6 per cent.⁵⁷

XV. RECOMMENDATIONS

The following recommendations, as contained throughout the text, are offered for consideration by the authorities, political parties, and civil society with a view to supporting efforts to conduct elections fully in line with OSCE commitments and other international standards for democratic elections. The OSCE/ODIHR stands ready to assist the authorities of Malta to further improve the electoral process and in following up on the recommendations contained in this report.

A. PRIORITY RECOMMENDATIONS

1. Consideration should be given to decriminalize defamation, in line with international good practice on freedom of expression.
2. Further efforts should be made to ensure the secrecy of the vote for all voters with special needs. This could include allowing such voters to select a person of their own choice to assist them in casting their vote.
3. The legal framework would benefit from enacting a comprehensive system for regulating party and campaign financing.
4. Consideration could be given to requiring both candidates and political parties to provide regular detailed reports on their campaign income and expenses, within an acceptable time limit. These could be made public, in a timely manner, in order to improve transparency and accountability.
5. Consideration should be given to amending the legal framework to explicitly provide full access to the electoral process to international and citizen observers, in order to comply with paragraph 8 of the 1990 OSCE Copenhagen Document.
6. Limitations on the right to stand for office could be reviewed to further enhance full compliance with OSCE commitments and international obligations.

B. OTHER RECOMMENDATIONS

Legal Framework

7. In line with the IDPC recommendation, and given the sensitive nature of information on patients currently contained in the lists, consideration could be given to ensuring that these lists are submitted to the Electoral Commission no earlier than five days before the election.

⁵⁶ In the 2008 parliament, some 7 per cent of members of parliament were female.

⁵⁷ See compiled data from the Inter-Parliamentary Union 'Women in Parliament' database, <http://www.ipu.org/wmn-e/world.htm>.

Election Administration

8. Notwithstanding the overall confidence in the performance of the election administration, with a view to further enhancing transparency, the Electoral Commission should consider having open meetings and publishing all decisions in a timely manner.
9. Consideration could be given to reviewing the current arrangement for the simultaneous appointment of people as party agents and Assistant Commissioners, with a view to avoid perceptions of potential conflict of interests.
10. Consideration could be given to introducing mechanisms that would ensure greater participation of women in senior decision-making roles within the election administration.

Voter Registration

11. Following the planned update of national identification cards, the authorities could consider reviewing the need for voting cards in order to bring down election expenditures and ensure voters are not disenfranchised for losing their voting document prior to election day.

Political Party and Candidate Registration

12. Consideration could be given to introducing measures to promote women candidates. The General Elections Act could be updated to apply gender sensitive language. Political parties could also consider nominating a minimum number of candidates of each gender.

Election Campaign

13. Consideration could be given to requiring all electoral advertisements to clearly state which party, group, or individual procured the advertisement, so that voters can make informed choices.

Party and Campaign Financing

14. In order to provide for a more level playing field during election campaigns, it is important that campaign finance provisions are clearly defined and separated from regular party operations.
15. Authorities could consider introducing requirements for political parties and candidates to disclose donation amounts and the identity of all individuals who donate above a certain minimum threshold, while also prohibiting donations from anonymous donors. To further enhance the transparency of campaign finance, it is recommended that in-kind donations and loans are disclosed.
16. Consideration could also be given to the introduction of limits for individual and company donations to political parties and candidates in order to minimize possibilities for corruption or the ability of particular groups to gain undue political influence through financial advantage.
17. Consideration could be given to adjusting campaign expenditure limits for individual candidates to a more realistic and appropriate level. Consideration could be given to basing

the legal limit on a form of indexation rather than an absolute amount in order to take account of inflation.

18. Consideration could be given to establishing an independent body with a mandate and resources to undertake full campaign finance audits. Candidates and parties could be subject to effective and proportionate sanctions should they violate campaign finance laws.
19. Consideration could also be given to requiring parties and candidates to open dedicated bank accounts for campaign financing, through which all campaign transactions should be made.

Media

20. Consideration could be given to reviewing the manner of selecting the members of the Broadcasting Authority with a view to protect the body from possible political interference.

Complaints and Appeals

21. Consideration should be given to set specific time limits for the adjudication and publication of election-related complaints and appeals by the Electoral Commission and the courts in order to be fully consistent with paragraph 5.10 of the 1990 OSCE Copenhagen Document.

ANNEX: FINAL RESULTS

	FIRST PREFERENCE VOTES						TOTAL VALID	Invalid	% Invalid of Cast	Total Cast	Registered Voters	Turnout
	Liberal Alliance	Democratic Alternative	Party Ajkla	Labour	Nationalist	Ind.						
District 1	0	267	0	12,462	9,957	0	22,686	238	1.04%	22,924	24,727	93%
District 2	5	218	47	16,312	6,373	7	22,962	235	1.01%	23,197	24,607	94%
District 3	0	343	0	16,050	7,025	0	23,418	273	1.15%	23,691	25,189	94%
District 4	0	254	0	15,323	7,354	0	22,931	264	1.14%	23,195	24,546	94%
District 5	0	315	0	16,201	7,689	0	24,205	343	1.40%	24,548	26,129	94%
District 6	7	219	0	13,934	9,330	0	23,490	269	1.13%	23,759	25,357	94%
District 7	0	375	0	13,805	10,269	0	24,449	350	1.41%	24,799	26,303	94%
District 8	0	596	0	11,350	11,738	0	23,684	292	1.22%	23,976	25,625	94%
District 9	0	714	0	9,854	12,409	25	23,002	276	1.19%	23,278	25,268	92%
District 10	0	741	0	8,665	12,662	0	22,068	309	1.38%	22,377	24,813	90%
District 11	0	717	0	10,404	13,459	0	24,580	328	1.32%	24,908	26,763	93%
District 12	0	537	0	10,862	11,610	0	23,009	416	1.78%	23,425	26,015	90%
District 13	0	210	0	12,311	12,551	0	25,072	451	1.77%	25,523	27,730	92%
TOTAL	12	5,506	47	167,533	132,426	32	305,556	4,044		309,600	333,072	93%
%	0.00%	1.78%	0.02%	54.11%	42.77%	0.01%	98.69%	1.31%				

	Seats Allocated	Constitutional Bonus *	Total Seats
Labour	39	0	39
Nationalist	26	4	30

* Bonus seats distributed based on Article 52(1) of the Constitution

Source: Election Commission Website: <http://www.electoral.gov.mt>

IV. Institutions in Malta

7. European Asylum Support Office

7.1 EASO - Single Programming Document

8. Armed Forces of Malta Maritime Base HQ



EASO
Single Programming
Document

Multiannual
Programming 2017-2019

Work Programme 2017

December 2016

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SECTION I. INTRODUCTION

1 Foreword by the Executive Director

Since the beginning of the migration crisis in the EU, several Member States have experienced major challenges in dealing with hundreds of thousands of migrants and asylum seekers, most of whom come from war-torn countries and regions through the Mediterranean routes. In response to this, a wide range of measures have been put in place, both at national and EU level to ensure that those who qualify for protection are given a fair opportunity to make their claim, whereas those who do not qualify for international protection are subjected to return. The temporary crisis relocation schemes agreed in September 2015 and the EU-Turkey statement of March 2016 are just two of these measures.

Besides putting several Member States under significant pressure, this extraordinary situation has also exposed several weaknesses in the Common European Asylum System (CEAS), compelling EU leaders to re-consider the current system and start a process aimed at overhauling the current system, making it fairer and more apt in time of migration crisis. Consequently, in 2016, the Commission proposed a revised EU asylum legal framework and the transformation of the European Asylum Support Office into a fully-fledged European Union Asylum Agency with significant new competencies both in terms of operational support but also in monitoring the implementation of the CEAS.

This Single Programming Document was drafted against this background of great dynamism and change in the field of migration in the EU, which directly affects the work of EASO. Within this framework, over the past year, EASO has been taking bold steps to increase its emergency operational and technical capacity, which made the deployment of hundreds of experts and interpreters together with the contracting of ancillary services possible in the hotspots in Greece and Italy. This has exponentially increased the operational expenditures of the agency, well above any previous budget estimates. In fact, EASO started the year 2016 with a budget of 15.89M€ and is approaching the end of the year with a budget of 63.20M€. This four-fold increase in budget in a single year bears witness to the value that the European Union and its Member States place on the work of EASO, in particular, but not exclusively, that related to operational and technical support in the hotspots.

Sometime during the period 2017-2019, the co-legislator is expected to adopt the founding Regulation of the European Union Asylum Agency (EUAA). Consequently, during 2017, the agency will consolidate its core activities, further develop its operational and technical capability, and as soon as possible start engaging in a number of preparatory actions to lay down the foundations for activities that will be foreseen in the new founding Regulation of the agency. EASO shall maintain a flexible approach and it will focus on certain activities depending on the final content of the EUAA Regulation. This is specifically the case for actions related to supporting a sustainable and fair distribution of applications for international protection, country of origin information and country guidance, monitoring and assessing the implementation of the CEAS and capacity of asylum and reception systems in Member States, and enabling convergence in the assessment of applications for international protection across the European Union. Moreover, the agency will also take concrete measures to step up recruitment of staff, which is expected to reach 500 by the year 2020 and expedite budget absorption, which should reach 114M€ by the year 2020.

As an instrument of solidarity, EASO relies heavily on the Member States to support those states subject to pressure on their asylum and reception systems, primarily through the availability of experts provided for the required timeframe and with the requested profiles. I am confident that the agency will continue receiving the support of the Member States by stepping up the availability of their experts to be deployed in the hotspots. With a reinforced mandate and the right level of resources, EASO will play a major role both in supporting the Member States and in addressing the structural weaknesses of the CEAS, thereby contributing in concrete terms to making the system fairer, of higher quality and at the same time more efficient and effective.

2 Mission Statement

2.1. EASO's mission

EASO's mission is to contribute to the implementation and development of the CEAS by providing support and facilitating, coordinating and strengthening practical cooperation among EU+ countries as an independent centre of expertise on asylum.

2.2. EASO's principles

In fulfilling its mission, EASO observes the following principles:

- providing comprehensive and timely support, including operational support, to requesting Member States;
- stimulating quality and efficiency of the asylum and reception systems of Member States;
- acting as an independent and impartial centre of expertise;
- providing accurate and up-to-date data, analysis and assessments on asylum-related matters;
- supporting Member States in taking up their responsibilities in the field of asylum and in showing solidarity with Member States whose asylum systems are under pressure;
- providing support to Third Countries' asylum and reception systems, as well as support related to resettlement, in close cooperation with the relevant EU institutions and international organisations;
- facilitating and stimulating joint and common practical cooperation measures in the field of asylum, thereby fostering mutual trust among Member States;
- providing evidence-based input to EU policymakers on asylum;
- cooperating with EU institutions, EU agencies and bodies, international organisations and civil society.

2.3. EASO's founding act

EASO was founded by Regulation 439/2010¹. Article 1 of the Regulation stipulates that:

“A European Asylum Support Office (the Support Office) is hereby established in order to help to improve the implementation of the Common European Asylum System (the CEAS), to strengthen practical cooperation among Member States on asylum and to provide and/or coordinate the provision of operational support to Member States subject to particular pressure on their asylum and reception systems”.

According to the Regulation the duties of EASO are to support practical cooperation on asylum, including identification and exchange of best practices, information on countries of origin, supporting relocation, supporting training, supporting the external dimension of CEAS; to support Member States subject to particular pressure, including through gathering and analysing information and implementing support actions; and to contribute to the implementation of CEAS through gathering and exchanging information and drafting reports and technical documents.

EASO's internal governance comprises a Management Board and an Executive Director. The Management Board is the governing and planning body of EASO, which aims to ensure that EASO performs effectively its duties. The Executive Director is independent in the performance of his tasks and is the legal representative of EASO. The Executive Director is responsible, inter alia, for the

¹ Regulation (EU) 439/2010 of the European Parliament and of the Council of 19 May 2010 establishing a European Asylum Support Office, OJ L 132, 29.5.2010, p. 11.

administrative management of EASO and for the implementation of the Work Programme and the decisions of the Management Board.

The Executive Director is supported by Heads of Department, Heads of Unit and Liaison Officers. EASO's Organisation chart is included as Annex X to this document.

3 List of acronyms

AEAJ	Association of European Administrative Judges
AIP	Asylum Intervention Pool
APD	Asylum Procedures Directive
AST	Asylum Support Team
CEAS	Common European Asylum System
CEPOL	European Police College
COI	Country of Origin Information
CSO	Civil Society Organisation
EASO	European Asylum Support Office
EIGE	European Institute for Gender Equality
EMCDDA	European Monitoring Centre for Drugs and Drug Addiction
EMN	European Migration Network
ENPI	European Neighbourhood and Partnership Instrument
EPRA	European Platform of Reception Agencies
EPS	Early warning and Preparedness System
EU	European Union
eu-LISA	European Agency for the Operational Management of Large-Scale IT Systems in the Area of Freedom, Security and Justice
EUROJUST	The European Union's Judicial Cooperation Unit
Europol	European Police Office
FRA	European Union Agency for Fundamental Rights
Frontex	European Agency for the Management of Operational Cooperation at the External Borders of the Member States of the European Union
GDISC	General Directors of Immigration Service Conference
GIS	Geographic Information System
GPS	Group for the Provision of Statistics
IALN	Inter-Agency Legal Network
IARLJ	International Association of Refugee Law Judges
IDS	Information Documentation System
IGC	Intergovernmental Consultations on Migration, Asylum and Refugees
IPA	Instrument for Pre-Accession
IOM	International Organization for Migration
JHA	Justice and Home Affairs
MedCOI	Medical Country of Origin Information
MFF	Multiannual Financial Framework
MSPP	Multiannual Staff Policy Plan
NCP	National Contact Point
OLAF	European Anti-Fraud Office
RDPPs	Regional Development and Protection Programmes
SMART	Specific, Measureable, Achievable, Realistic, Time-bound
SP	Support Plan
THB	Trafficking of Human Beings
UNHCR	United Nations High Commissioner for Refugees
VHAS	Voluntary humanitarian admission scheme
WB	Western Balkans

SECTION II. GENERAL CONTEXT

The Multiannual Single Programming Document 2017-2019 is drawn up during a period of rapid change and evolution in the field of migration characterised by unprecedented number of claims for international protection in the EU, reaching around 630 000 asylum applications lodged between January and June 2016, representing a 41 % increase over the same period the year before. This situation is exerting extraordinary pressure on the asylum and reception systems of an increasing number of Member States and has also led to the triggering of Article 78(3) of the Treaty on the Functioning of the EU (TFEU), which provides a specific legal basis to deal with emergency situations. These factors have pushed migration to the top of the EU political agenda, with a direct impact on EASO and the nature of its activities.

The past years have been dedicated to the elaboration of the recast EU asylum acquis, which came into force on 21 July 2015 and which puts more rigorous demands on the asylum and reception systems of Member States than the previous legal framework. Yet, in view of the escalating migration situation, the need for reform was widely acknowledged, including by the European Parliament² and the European Council.³ Consequently, on 6 April 2016, the Commission adopted a Communication entitled "Towards a reform of the Common European Asylum System and enhancing legal avenues to Europe",⁴ in which it set out its priorities for improving the CEAS. On 4 May 2016, the proposal for a new EASO Regulation, the proposal of the reform of the Dublin system and proposal amending the Eurodac system were presented as part of a first package of reform of the CEAS. A second stage of legislative proposals reforming the Asylum Procedures and Qualification Directives, as well as the Reception Conditions Directive followed on 13 July 2016, ensuring the full reform of all parts of the EU asylum system, including to avoid the disruption of the Dublin mechanism by abuses and asylum shopping by applicants for and beneficiaries of international protection.

EASO was established as a tangible instrument of solidarity which plays a decisive role in underpinning the legislative implementation of the EU asylum acquis with several practical cooperation measures and tools. EASO fosters closer cooperation among Member States on all aspects of asylum and trust building, both of which are central to the success of the CEAS. During its first five years of operations, EASO has evolved from a start-up agency into a key stakeholder in supporting the implementation and further development of the CEAS.

The draft proposal for a new EASO Regulation, aims to strengthen the role of EASO and to transform it into a fully-fledged Agency which is capable of providing the necessary operational and technical assistance to Member States, increasing practical cooperation and information exchange among Member States, supporting a sustainable and fair distribution of applications for international protection, monitoring and assessing the implementation of the CEAS and the capacity of asylum and reception systems in Member States, and enabling convergence in the assessment of applications for international protection across the Union.

The proposals comprising the revised EU asylum package reaffirm the role of EASO in providing support to Member States' efforts in implementing the standards that characterised the reformed CEAS.

Resulting from an initiative from the Dutch Presidency, Council Conclusions on Asylum Decision Practices were adopted on 21 April 2016. According to these Conclusions, EASO is invited, inter alia to set up a structure for a senior-level policy network aimed at jointly interpreting COI and developing country guidance. Moreover, in cooperation with the policy network, EASO is invited to start a pilot exercise on common policy development based on an elaborated common COI report on Afghanistan.

² See for example European Parliament resolutions of 12 April 2016 on the situation in the Mediterranean and the need for a holistic EU approach to migration (2015/2095(INI)); of 10 September 2015 on migration and refugees in Europe (2015/2833(RSP)).

³ EUCO 19.02.2016, SN 16/16.

⁴ COM(2016) 197 final.

Over the past years, EASO developed its capacity to become an important operational partner for Member States that require additional practical support, whilst strengthening its regular support to Member States. The Commission Communication on the work of the Task Force Mediterranean, issued in December 2013, identified a number of tasks and objectives for EASO, including a feasibility study on possible joint processing of protection claims outside of the EU, the strengthening of EASO's role in the field of identification and screening of asylum seekers in mixed flows and a coordination role in intra-EU relocation. The mission letter of the European Commission President, sent on 1 November 2014 to the new Commissioner for Migration, Home Affairs and Citizenship, stressed that “to ensure the full and consistent implementation of the Common European Asylum System” [...] the Commission should “develop a strategy for improving our response to emergency situations” and “look at an extended role for the European Asylum Support Office, with a particular focus on working with and in third countries”.

In the wake of the tragic incidents in the Mediterranean, on 20 April 2015, at the joint meeting of Foreign and Interior Ministers, Migration, Home Affairs and Citizenship Commissioner Avramopoulos presented a 10-point plan outlining immediate actions to be taken in response to the crisis in the Mediterranean. The European Council, on 23 April 2015, issued a statement⁵ outlining various measures — several of them involving EASO — aimed at preventing further loss of life at sea and at tackling the root causes of the human emergency that the EU is facing. This was followed by a European Parliament Resolution on 29 April 2015⁶. Following the European Council Conclusions of 25 and 26 June 2015⁷, at the 8 and 9 July 2015 informal JHA Council Member States in principle supported the European Commission’s proposal to use the emergency response mechanism under Article 78(3) of the Treaty on the Functioning of the European Union to relocate eligible applicants for international protection from Italy and Greece. On 14 September 2015 and 22 September 2015, the Council adopted Decision (EU) 2015/1523⁸ and (EU) 2015/1601⁹ respectively, establishing provisional measures in the area of international protection for the benefit of Italy and Greece.

On 18 March 2016, the EU-Turkey Statement was signed. EASO was mandated to support its implementation in Greece by supporting the Greek Asylum Service in carrying out specific steps of the procedure. EASO experts conduct interviews and draft opinions to ensure systematic individual assessment within the context of the EU-Turkey Statement. Furthermore, EASO was called upon to support the implementation of the 1:1 scheme established to substitute irregular and dangerous migrant crossings from Turkey to the Greek islands with the legal channel of resettlement from Turkey to the EU. For every Syrian being returned to Turkey, another Syrian will be resettled from Turkey to the EU.

The 17-point Action Plan published after the Leaders Meeting on the Western Balkans Route of 25 October 2015 and the 11 November 2015 Valletta Summit Action Plan also set out a number of measures, a number of which are earmarked for EASO. In 2016, a number of policy documents were issued together with a Commission Communication on establishing a new Partnership Framework with Third Countries under the European Agenda on Migration and the a Commission proposal for a regulation for a Union Resettlement System. The EU response to the migration crisis will continue to be complemented with additional measures, both at political and legislative level. The implementation

⁵ Special meeting of the European Council, 23 April 2015 — statement:

<http://www.consilium.europa.eu/en/press/press-releases/2015/04/23-special-euco-statement/>

This part of the European Agenda on Migration incorporates and further develops the initiatives included in the Roadmap that the Commission presented as a follow up to the Statement of the European Council of 23 April 2015.

⁶ P8_TA-PROV(2015)0176

<http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//NONSGML+TA+P8-TA-2015-0176+0+DOC+PDF+V0//EN>

⁷ EUCO 22/15

⁸ Council Decision (EU) 2015/1523 of 14 September 2015 establishing provisional measures in the area of international protection for the benefit of Italy and of Greece, OJ L 239, 15.9.2015, p. 146–156.

⁹ Council Decision (EU) 2015/1601 of 22 September 2015 establishing provisional measures in the area of international protection for the benefit of Italy and Greece, OJ L 248, 24.9.2015, p. 80–94.

of such measures will extend into the coming years, translated into practical actions which will mark and guide EASO's work for this planning period. EASO's multiannual programme focuses on consolidating in its activities all tasks already allocated to it by its founding Regulation and other legal and policy documents, notably the European Agenda on Migration. In addition it remains flexible to incorporate additional tasks that may emerge within the rapidly developing framework in the area of migration.

The developments outlined above have significant implications on EASO activities and called for a change in the nature of EASO's output with a shift to **more tailor-made practical operational support** and tools to EU+ countries with specific needs on their asylum and reception systems. In this context, EASO will continue playing an important role in the so-called '**hotspots' approach** in Italy and Greece, in particular on registration of applications for international protection, joint processing of asylum applications, referral of potential outgoing Dublin take-charge requests, and assistance with the relocation of applicants for international protection from Italy and Greece. In Greece, EASO will continue supporting the implementation of the EU-Turkey Statement by examining requests for international protection, in particular specific parts of the procedure such as admissibility.

Over the coming years, EASO will continue its efforts to collect information to provide a **comprehensive, accurate and up to date situational picture** of the situation of asylum in the EU and the state of implementation of the CEAS. EASO will continue supporting capacity building in Member States through generation of knowledge and a wide range of permanent support tools such as **delivery of training and development of training material, expertise, provision of information, statistical analysis, country of origin information, and development of practical cooperation tools**.

Furthermore, in line with the June 2015 European Council Conclusions, EASO will continue to produce information relevant for the possible designation of safe countries of origin.

As requested in the April 2016 Council Conclusions, EASO will significantly increase its COI production capacity, establish a senior-level policy expert network (Country Guidance Network), and develop Country Guidance Notes aimed at increasing the level of convergence of national asylum decision practices on particular countries of origin, taking into account an analysis of the relevant COI, but also EASO horizontal guidance and tools on relevant elements of the CEAS.

EASO will have an enhanced role in the area of reception (the **new dedicated network of reception authorities, pilot project on shared reception**, and development of **quality criteria for reception centres** in cooperation with the Commission). It is clear that adequate reception is crucial for a functioning CEAS.

Integration and return form an integral part of well-functioning asylum and migration policies. Introducing such measures earlier on in the asylum and reception process can enhance their effectiveness. EASO will continue to foster practical cooperation in the areas of integration and return within the asylum and reception system. EASO will facilitate exchange of information and best practices to mainstream elements of return and integration at various stages of the asylum process and reception systems.

EASO is also asked to support the European Commission in developing **guidelines for maximising legislative provisions against abuses**, allowing swift processing of unfounded asylum applications and eventually streamlining MS work for the assessment of asylum applications. EASO will enhance cooperation and information sharing among the **national Dublin units** in the 32 Member States of the Dublin III Regulation through the dedicated network of Dublin units.

Monitoring of the implementation of the new EU asylum acquis takes on a new dimension in this phase in order to ensure that the CEAS caters for the constantly changing circumstances in the asylum and migration field. This will require data provision on all key aspects of the CEAS, requiring efforts at national level to ensure each body tasked with a part of the system is effectively communicating at national level and that Member States provide needed data at EU level to ensure reliability and comparability. Through its Early warning and Preparedness System (EPS) and the EASO mapping exercise of asylum processes in Member States, EASO will be in a position to provide a picture of the situation, which could help Member States and the EU to take the necessary steps to address

weaknesses in their systems, which could include tailor made capacity building measures coordinated by EASO and also measures financed through the Asylum and Migration Fund (AMIF).

The **external dimension of the CEAS** has gained renewed attention, in particular the Western Balkan countries, Turkey and North Africa. In line with the Global Approach to Migration and Mobility, the European Agenda on Migration, the 2016 Commission Communication on establishing a new Partnership Framework with Third Countries under the European Agenda on Migration and the EASO External Action Strategy, EASO will provide increased support to the Western Balkan region and Turkey including through the implementation of a Programme funded under the Instrument for Pre-Accession (IPA) as well in relation to the implementation of the Regional Development and Protection Programme (RDPP) in North Africa. Furthermore, as appropriate, EASO will follow up on the Valletta Summit Action Plan of November 2015 by providing training and improve quality of asylum processes in the relevant Third Countries. Any EASO support will be targeted and limited to priority countries and coordinated with the Commission and EEAS.

EASO will also support the implementation of the **European resettlement scheme** and other resettlement actions of EU+ countries, also through capacity building measures in Member States that have little or no experience of resettlement through a pilot project in a strategic third country. EASO will support the Commission proposal for a Regulation for a Union Resettlement Framework.

Finally EASO will continue fostering dialogue on the practical implementation of the EU asylum acquis and provide **evidence based policy input**, thereby providing the basis for assessing the legislative framework.

In the implementation of its work, EASO will work in close cooperation with other actors in the field, in particular the European Parliament, the Council of the European Union and the Commission. EASO will build on its excellent working relationship with the UNHCR and IOM and will continue promoting strong cooperation amongst EU agencies, in particular the JHA agencies network and activities organised within this framework. EASO will increase cooperation with Frontex, eu-LISA and FRA in particular in operations in order to ensure a coordinated approach. EASO will also continue its cooperation with the European Migration Network and its different Expert Groups, IGC, GDISC and other players.

EASO will further develop its positive relationship with the members of Courts and Tribunals and will engage civil society through more targeted consultations, transparency, and outreach activities.

SECTION III. MULTI-ANNUAL PROGRAMMING 2017-2019

1 Multi-annual objectives

1.1. EASO's Key Performance Indicator

EASO's overall Key Performance Indicator represents the agency's ability to meet the objectives set out in the annual work programme.

Consequently, EASO's Key Performance Indicator is represented by a qualitative indicator aiming at demonstrating the impact of EASO's support in the coherent implementation of the CEAS, taking into account:

- the tasks laid down in the EASO Regulation, the recast EU asylum acquis and other related EU documents and the progress of EASO in implementing activities to fulfil these tasks;
- the requests made by the EU+ countries, the European Commission, the Council of the EU, the European Parliament and other EU institutions, agencies and bodies to develop and execute additional EASO activities in order to support the implementation of the CEAS;
- the evaluative opinions given by the EU+ countries, the European Commission, the Council of the EU, the European Parliament, other EU institutions, agencies and bodies and other EASO partners on EASO's work.

The work programme identifies a number of specific objectives which are structured according to SMART ('specific, measurable, achievable, realistic, time-bound') principles. In order to measure EASO's performance, indicators are developed for each objective, together with the expected output and timeframe.

1.2. EASO's Multiannual objectives

EASO will continue to contribute to the coherent implementation of the Common European Asylum System (CEAS) and help strengthen practical cooperation among EU+ countries. In order to achieve this, the following multi-annual objectives will be pursued by the Agency.

EASO Multi-annual objectives	When	Indicators
Contribute to the exchange and analysis of information on the implementation of the CEAS	2017-2019	Number of topics for which information will be collected and analysed
Provide and enhance practical cooperation and support asylum processes	2017-2019	Number of support projects/activities ongoing and/or implemented
Contribute to improved capacity of EU Member States to implement the CEAS and manage fluctuating migration flows through providing operational support	2017-2019	Number of support plans/projects ongoing and/or implemented.
Enhance, and simplify the presentation of, EASO's knowledge on countries of origin, on the preparedness of national asylum systems and on the current and likely future asylum situation, in line with its role as an independent centre of expertise.	2017-2019	Extent of awareness and understanding of the functioning of the CEAS in the current migration situation that can be directly derived from EASO's information and knowledge-provision activities.
Contribute towards the development of knowledge, skills and competences of asylum practitioners	2017-2019	Number of trainers who have completed EASO's train-the training modules;

		Number of national trainings organised in EU+countries; Number of participants who have completed national trainings.
Contribute to the better identification of and adequate support to vulnerable applicants in asylum processes	2017-2019	Number of activities/practical tools ongoing and/or implemented
Stimulate judicial dialogue in the field of international protection	2017-2019	Number of stakeholders participating in the EASO network of members of courts and tribunals Number of practical cooperation activities organised for members of courts and tribunals
Provide and enhance capacity building of Third Countries in the field of asylum	2017-2019	Number of support projects/activities ongoing and/or implemented
Contribute to constructive dialogue in the field of asylum with relevant stakeholders, including civil society	2017-2019	Number of consultations held

2 Multi-annual programme

2.1 Operational support

EASO will continue to **enhance its operational support** to EU Member States based on emerging needs to fully implement the EU Asylum Acquis and to respond to particular pressure on EU Member States' asylum and reception systems.

EASO will tailor its operational support to the specific arising needs, as well as to requests from EU Member States. EASO will continue providing support to the implementation of relocation measures and to the implementation of the EU-Turkey Agreement. Specific focus will therefore be provided to EU front-line Member States, in particular to Italy and Greece as per the European Agenda on Migration and the 'Hotspot' approach, including with respect to relocation and the implementation of the EU-Turkey Agreement. This will include the implementation of Support Plans and/or Hotspot (including Relocation) Operating Plans. EASO will support requesting EU Member States to provide information to potential relocation candidates, refer them to the national asylum authorities, register applications for international protection and relocation and match these applicants to the most appropriate Member State, as well as preparing for their transfer.

EASO will continue to deliver tailor-made training within the framework of emergency and/or special support to EU+ countries facing unexpected migratory pressure, including within the context of the 'hotspot' approach. Such training will continue to address the specific situation of vulnerable applicants, including unaccompanied children.

EASO will also further develop and make use of a number of tools to implement its operational activities and relocation related activities, including the updated pool of experts and the Asylum Intervention Pool (AIP), the List of Available Languages and the electronic/ICT deployment system. In addition, EASO will explore technical solutions that will help to enhance operational support and joint processing carried out by Asylum Support Teams. Furthermore, improved coordination with stakeholders in the requesting Member State will be pursued to enhance the quality and speed with which support can be delivered. Mobile teams, including facilities and personnel, who can be deployed even more rapidly when required to address emergency situations on the ground will continue to be delivered. Whenever possible, EASO will aim to have a permanent presence in the country requesting support in order to allow for dedicated and continuous support, liaison, and coordination.

In order to continuously enhance its operational support, EASO will fully implement its results-based monitoring and evaluation system, allowing for constant review and improvement of its performance. Given the increase in operational activity, which EASO is leading on the ground in Greece and Italy, further needs to plan, monitor, and evaluate operations are apparent. EASO has consequently put in place, as part of its new structure, an operational unit which is dedicated to the planning and evaluation of operational activities in the field.

2.2 Information, analysis and knowledge development

EASO will continue to **enhance its knowledge** in the following main areas:

- On country of origin information (COI), EASO will expand its production of joint COI reports on key countries of origin at EU level via the network approach, through increased outsourcing of the drafting of such reports, but also through a significant increase of its in-house COI production capacity, as requested in the April 2016 Council Conclusions. It will also expand its focus on specialised guides to aid COI researchers on specific topics (e.g. on vulnerable groups). In order to perform the 'clearing-house' function as noted in the European Agenda on Migration, EASO will seek to further harmonise COI production via increased and more regular sharing of national COI production planning documents, by 'Europeanising' selected national COI reports after a review of their quality against EASO standards outlined in the EASO COI Report Methodology, and by making COI publicly accessible via the EASO COI Portal. EASO will also further expand its COI-related expert meetings on main countries of origin via increased use of public events with invited expert speakers catering to all key stakeholders.

It will seek to promote more harmonised use of COI in decision-making through organisation of practical cooperation meetings aimed at developing common country-related policy based on its joint COI reports. To achieve a higher level of convergence of national asylum decision practices for particular countries of origin, the April 2016 Council Conclusions foresee in the establishment of a senior-level policy network (Country Guidance Network), which will develop Country Guidance Notes based on a joint analysis of EASO COI and EASO horizontal guidance/tools on elements of the CEAS. EASO will continue producing information relevant for the possible designation of safe countries of origin, and will gradually integrate all key activities of the MedCOI project, providing COI on the availability and accessibility of medical treatment in countries of origin.

- On Early warning and Preparedness, EASO will expand its data collection system (EPS) to include indicators on all major aspects of the CEAS (including appeal and review) and will seek to improve the quality of its analytical deliverables with recent and accurate qualitative information from countries of origin and transit, such as open-source intelligence and outsourced reports.
- EASO will seek to overhaul its Information and Documentation System (IDS), an IT-based tool providing up-to-date, validated information on all major aspects of the asylum systems of all 30 EU+ countries to increase accessibility and usability, and to significantly expand the IDS tool with information on national and European case law, legislation and asylum policy.
- EASO will continue and complete its research programme on push and pull factors in asylum-related migration with the eventual aim of creating an empirically-validated migration model for typical types of flows.

EASO will **simplify the presentation of this enhanced knowledge** by further developing and integrating its different Asylum Information Systems in the areas of Country of Origin Information (COI Portal), Early warning and Preparedness (EPS, statistical and GIS software) and Information and Documentation System (IDS). This will necessitate concentration on IT project management over a number of years and focus on developing and testing better data visualisations in order to raise awareness and facilitate understanding of asylum flows and preparedness of Member States to deal with them. This integration Asylum Information System will provide key input for the future monitoring role of EASO.

EASO will **further utilise the knowledge** gained through its data collection and analysis activities by ensuring that its operational planning is in all cases based on an accurate and up to date situational picture of MS' asylum systems and their preparedness to deal with the flows being experienced. It will also utilise its situational knowledge to evaluate the efficiency and effective outcome of EASO's operational activities through regular monitoring, feeding back this information into planning, to allow for timely and effective adjustment of operational activities.

2.3 Permanent support

During these three years, EASO will continue to provide permanent support to EU+ countries with the aim of enhancing their capacities to implement the CEAS.

Training

During the period 2017-2019 EASO will continue to solidify and further develop its **Training Curriculum** by keeping its existing training material updated with any new developments, such as changes in the EU acquis and the asylum situation in the EU, as well as by analysing and addressing the general needs of EU+ countries. EASO will continue to invest in the quality assurance of its Training Curriculum particularly by means of its cooperation with the Reference Group. Furthermore, EASO will continue its actions for the certification and accreditation of its Training Curriculum aiming to achieve an International Sectoral Qualification for asylum officials.

EASO will also aim to further its **e-learning opportunities** in light of possible significant IT developments and strengthen the link between the didactic and content elements in each module to reinforce the train-the-trainer methodology.

EASO is committed to strengthen its direct contact with EU+ countries and their training units within their national administrations. To this end, EASO will start providing individual consultations to EU+ countries in analysing their individual training needs and designing their training plans. In this approach EASO will further adhere to methods that support practical cooperation and will facilitate the sharing of good practices amongst EU+ countries. EASO is also willing to explore and support the possibility of exchange programmes.

EASO will also develop **thematic training as well as training for particular target groups** who have specific needs such as interpreters.

EASO will continue to organise **network meetings for trainers** to enhance their knowledge, skills and competencies and facilitate the exchange of experience from train-the-trainers' and national training sessions.

Asylum processes

EASO will further support Member States in achieving common standards and high-quality processes within the Common European Asylum System (CEAS). To that end, EASO will:

Continue and enhance practical cooperation activities in view of collecting and exchanging information on Member States' current practices and policies in relation to the CEAS, including mapping activities and thematic meetings Member States where experts discuss best practices and current challenges and share information and expertise.

Continue to develop common practical tools and guides to support the implementation of the CEAS based on identified needs and best practices. The EASO practical tools are meant to translate the requirements of the common legal instruments into user-friendly practical instruments to be used by the Member States officials across the EU and beyond in their daily work. EASO will also actively promote the practical tools in the national administrations and evaluate their use of by targeted surveys.

Further support Member States in the quality management of the national asylum processes through the organisation of specific activities and/or the development of targeted products.

EASO activities on asylum processes will form the basis for the development of operational standards and indicators and as well as monitoring frameworks to further support the consistent implementation of the CEAS.

Cooperation with members of the courts and tribunals

EASO will continue to further strengthen the cooperation with EU+ countries' courts and tribunals in line with the objective of contributing to the coherent implementation of the CEAS and advancing practical cooperation among EU+ countries on asylum. EASO's practical cooperation activities will be undertaken in line with the established framework and with full respect for the independence of courts and tribunals.

The materials to be developed are intended to provide members of courts and tribunals with a European understanding of the asylum acquis in light of the case-law of the CJEU. This will, in turn, lead to an increased harmonisation of the interpretation European asylum law within the wider framework of international protection.

EASO activities on vulnerable groups

EASO will continue its activities in view of the better identification and adequate support afforded to vulnerable applicants in asylum processes, including in the context of Hotspots and when implementing relocation. Such activities comprise the facilitation of expert networks and workshops, information exchange and the development of common tools and guides.

Other areas of practical cooperation and support to asylum processes

In addition to the abovementioned areas, EASO will implement activities of practical cooperation in other specific areas. Through meetings, setting up of networks and promoting the exchange of best practices EASO will foster cooperation and improved capacities in the EU+ countries.

In order to support the Member States in the full application of the Dublin system, EASO will continue to facilitate its **dedicated network of national Dublin Units** in line with the European Agenda on Migration. The network aims at enhancing cooperation and information sharing among the 32 national Dublin Units participating in the network. Its activities will progressively be developed and expanded during these years.

In the area of **reception**, EASO will further develop the dedicated network of reception authorities in line with the European Agenda on Migration, through which EASO fosters the exchange of information and best practices on reception systems within the framework of the CEAS. EASO will implement a number of activities to this end, including practical cooperation workshops, development of improved tools used by EU+ national authorities on reception, the development of additional operational standards and indicators and the reception training module.

EASO will endeavour to develop and support the link between the asylum and reception procedure to the procedures, which follow after the decision on an asylum application, i.e. **integration or return**. Furthermore, EASO will also promote the **use of other tools**, such as the use of EASO queries, the List of Available Languages and more technical solutions with the aim to support various steps in the asylum procedure.

2.4 External dimension

EASO will support the external dimension of the CEAS in agreement with the European Commission and within the framework of the EU external relations policy. This will be done, as appropriate, through the implementation of regional programmes mainly aimed at capacity building support to Third Countries with the geographical priorities lying in the Western Balkans (WB) region, Turkey, and North Africa, as well as further outlines in the 2016 Commission Communication on establishing a new Partnership Framework with Third Countries under the European Agenda on Migration, through the 'compacts' approach. Activities will include advice, training, provision of seminars/workshops, study visits, Technical Assistance and on-the-job training etc. More direct operational support will also be explored as and when appropriate, in particular to support the WB countries with identification, registration, reception and referral, in cooperation with Frontex, UNHCR and IOM. Modalities and tools for providing appropriate and rapid operational support will be explored together with relevant stakeholders in Third Countries and the European Commission, in line with the broader EU external relations policy.

Furthermore, as announced in the EU-Turkey Statement agreed between the Member States and Turkey on 18 March 2016, a mechanism is established to substitute irregular and dangerous migrant crossings from Turkey to the Greek islands with the legal channel of resettlement from Turkey to the EU. For every Syrian being returned to Turkey, another Syrian will be resettled from Turkey to the EU, known as the '1:1 scheme'. In parallel, work is underway amongst Member States to put in place the Voluntary humanitarian admission scheme for Syrian refugees currently in Turkey (VHAS). Once irregular crossings between Turkey and the EU are significantly reduced, this scheme will be activated and EU Member States will contribute on a voluntary basis. EASO will support the implementation of the European resettlement schemes.

Training will continue to be used in the framework of the external dimension to support Third Countries by developing knowledge, skills and competences of the staff of asylum authorities and improve the quality of the asylum process in countries of origin, transit and destination as highlighted in the Valletta Summit Action Plan of November 2015.

2.5 Horizontal activities

Cooperation with the European Commission, the Council of the European Union and the European Parliament

As a decentralised EU regulatory agency having its own governance structure, EASO acts within the policies and institutional framework of the EU.

In this context, the political responsibility for the area of asylum lies with the European Commissioner responsible for Migration, Home Affairs and Citizenship, and thus strong cooperation links exist with the European Commission on all EASO activities. The European Commission will be invited to give its opinion on specific documents to be adopted by the EASO Management Board in line with the relevant provisions of the EASO Regulation. Furthermore, close cooperation and coordination will take place, in particular through regular meetings and videoconferences, through coordinated drafting or reports, through organising joint Contact Committee meetings and practical workshops and participation and exchange of information within the framework of the European Migration Network (EMN).

EASO will also maintain close relations and exchange of information with the Council of the European Union and the European Parliament. In line with the EASO Regulation, EASO will send its annual work programme and annual activity report to the European Parliament, the Council of the European Union and the European Commission. The Executive Director is regularly invited to report to the Justice and Home Affairs Council with regard to the CEAS. Moreover, the Executive Director is invited to present the EASO work programme, as well as specific topics related to EASO's work, to the European Parliament.

Cooperation with the UNHCR and other international organisations

In fulfilling its tasks, EASO acts in close cooperation with the United Nations High Commissioner for Refugees (UNHCR) and with other relevant international and intergovernmental organisations.

With regard to the UNHCR, EASO cooperates closely with and involves the UNHCR in all areas covered by the EASO Regulation. The UNHCR participates in the EASO Management Board as a non-voting member and has a permanent liaison office to EASO based in Malta. In 2013, EASO and the UNCHR signed a working arrangement. On that basis, EASO will build on the strengthened cooperation will continue in all fields, in particular in the areas of training, quality processes, unaccompanied children, resettlement, the external dimension of the CEAS and in the field of special and emergency support, including cooperation in the hotspots.

EASO will also be in close contact with other relevant international and intergovernmental organisations working in areas of asylum, such as the Council of Europe, the General Directors of Immigration Services Conference (GDISC), the Intergovernmental Consultations on Migration, Asylum and Refugees (IGC) and the International Organisation for Migration (IOM). EASO will regularly exchange views, participate in meetings and conferences and will actively contribute to their work to ensure complementarity and avoid duplication of work.

Cooperation with EU agencies

EASO promotes strong cooperation with other EU agencies. It is a member of both the EU Agencies' network and of the JHA agencies' network. EASO will continue participating actively in the relevant activities organised in the context of these networks and of their working structures. Furthermore, EASO will continue having mutual contacts and relations on a bilateral level with the JHA agencies, in particular via the channels of the JHA inter-agency cooperation.

On the basis of the working arrangement signed by Frontex and EASO in September 2012, the two Agencies will maintain their existing cooperation and will enhance it in the light of joint actions foreseen in the European Agenda on Migration. EASO and Frontex will continue their coordinated efforts when providing support to EU+ countries and will explore further synergies in border management and identification of international protection needs, in particular in the Hotspots. Furthermore, they will maintain their sustainable cooperation on data and analysis sharing in the context of the Early warning and Preparedness System and Country of Origin Information, as well as

their cooperation on training programmes, quality initiatives, in the field of the external dimension and on activities vis-à-vis civil society and their consultative fora.

FRA and EASO will build upon the existing cooperation in line with the working arrangement signed by both agencies in June 2013. FRA and EASO will continue sharing information, providing input to research activities and sharing research and data collection methodologies. Both organisations will continue their cooperation in the field of training, furthering the exchange of best practices, information and expertise in regards to fundamental rights. Additionally, the cooperation with regard to each other's consultative activities will continue.

EASO and eu-LISA will continue implementing the activities detailed in the working arrangement signed by both agencies in November 2014, also in the light of joint actions foreseen in the European Agenda on Migration.

Cooperation with civil society

Civil Society can offer diversified expertise and knowledge in the field of international protection and reception, which can be synergetic to the work of EASO. In order to enhance multidimensional cooperation between EASO and civil society, EASO will further promote the participation of representatives from the civil society to relevant meetings and activities. The quality and effectiveness of the consultations with civil society on key documents will be strengthened, ensuring continuity in the dialogue with the responding organisations. Direct involvement of civil society organisations in EASO's support activities will be explored.

The new proposal of Regulation of EASO foresees a revision of the composition and working methods of the EASO Consultative Forum. To this end, EASO will evaluate the lessons learnt from the functioning of the Consultative Forum since its establishment and will make a proposal for the set up of the revised Consultative Forum.

EASO will actively participate in civil society networks in the field of asylum, at EU and national levels, identifying developments relevant for EASO, reviewing and channelling inputs, providing contributions where appropriate. Furthermore, EASO will contribute to the activities of the Consultative Forum of other JHA Agencies, of the European Migration Forum and other similar bodies.

Press, Communication and Stakeholders Relations

EASO Press, Communication and Stakeholders Relations shall continue to ensure the visibility of the Agency's role, tools, values and work. EASO Press, Communication and Stakeholders Relations will continue to contribute to the goal of communicating in a consistent, efficient, transparent and accurate manner through the flow of easily intelligible messages. It will also continue to promote the achievements of the Agency and transmit information in a timely manner to EASO target groups. One of the main challenges will be to ensure that EASO is portrayed as an operational agency, which provides real added value to Member States under particular pressure on their asylum and reception system.

In order to reach this objective EASO Press, Communication and Stakeholders Relations will continue to send clear messages, communicate through the right channels and also strive to be proactive and advanced via modern communication tools. EASO will be active on the web and social media channels. EASO will strive to ensure quality in all publications, and progressively shift to more modern, interactive, publication tools. Moreover, the network of journalists and the communication multipliers network in the Member States will be strengthened. Relationship and coordination with the European Commission and other JHA agencies will be further strengthened. EASO will also contribute to the creation of EU public sphere by engaging with the public, contributing to and stimulating discussion on the EU asylum policy.

The efforts of EASO Press, Communication and Stakeholders Relations will be aligned to the core objectives highlighted in the EASO Communication Strategy. In 2017 EASO will make an evaluation of its communication efforts and based on the results the Agency's Communication Strategy will be revised and a new visual identity will be proposed. In 2018 the main communication objective will be that of consolidating EASO's reputation as a centre of expertise on asylum. EASO Press,

Communication and Stakeholders Relations efforts shall go more in depth in the subject area of the agency and to target a wider range of audiences. In 2019 EASO Press, Communication and Stakeholders Relations will continue to specialise in the core areas and the objective is to become a reference point within our stakeholders for information on the Common European Asylum System (CEAS) and the actual asylum situation. Aiming to strengthen the message that EASO is an operational agency and provided that sufficient resources are available, EASO Press, Communication and Stakeholders Relations team will aim to be present on the ground and follow EASO operations closely.

For more information, please visit the following link:

<https://www.easo.europa.eu/sites/default/files/Annex%203-Work%20Programme%202017-SPD%20Master-151216.pdf>

Armed Forces of Malta¹

The Armed Forces of Malta (AFM) is Malta's military organisation tasked with primary defence functions and safeguarding national sovereignty and interest, both in peacetime and in crisis. Malta's military instrument, in the form of the operational capabilities delivered by the AFM, is a major component of the Maltese Island's national defence and security architecture.

The Force is organised, trained and equipped to conduct military operations at a national level as well as to contribute towards international crises management operations.

Force Structure:

The Armed Forces of Malta (AFM) consists of a Force Headquarters and five separate units - three land units, an air wing and a maritime squadron. The AFM also have a Reserve and an Emergency Volunteer Reserve Force.

Command, Control & Administration:

The 'Malta Armed Forces Act' was passed through Parliament in 1970. It enables the Head of State to raise, maintain and regulate an armed force. This act also empowers the President of Malta as Head of State, to delegate the command and authority vested in him/her to the democratically-elected Government, exercisable by the Minister of Defence, and answerable to Parliament.

The minister for Home Affairs and National Security retains Defence Matters within his portfolio.

A Defence Matters Directorate provides civilian oversight of the Armed Forces of Malta.

Military command of the Armed Forces of Malta is exercised by the Commander, who is of Brigadier rank.

¹ <https://afm.gov.mt/en/Pages/AFM.aspx>

The Commander is supported by the Force Headquarters that is responsible for the command, control and management of the Force. The Force Headquarters lays out policies and directs the day-to-day running of the AFM in order to achieve the defence and security objectives set by Government in an efficient and cost effective manner.

AFM Defence Roles:

The AFM performs two main defence roles designated as 'primary' and 'secondary' defence roles.

Primary Defence Roles:

- Maintain territorial integrity (particularly at the Malta International Airport and other sensitive locations).
- Maintain integrity of Maltese waters (physical and electronic surveillance against smuggling, illegal trafficking of immigrants and other illicit activities at sea by conducting Maritime Law Enforcement)
- Contribute towards international peace and stability by participating overseas crisis management operations.
- Provide for the surveillance of the Maltese Airspace.
- Provide Search and Rescue services over Maltese territorial waters and the Search and Rescue region.
- Provide Explosive Ordnance Disposal (EOD) and Improvised Explosive Device Disposal (IEDD) cover.

Secondary Defence Roles:

- Provide civil emergency protection support.
- Provide military aid to the Police and the Security Service.
- Provide State Ceremonial and Other Public Support Duties.

V. Economy in Malta

9. Commission Country Report Malta 2016

10. Standard Eurobarometer 84 - Malta

Economy of Malta¹

The Maltese economy is founded on industry, trade, tourism and financial services, which contribute significantly to the country's economic development.

Despite the current economic situation in Europe, Malta continues to enjoy above-average growth in its GDP, thanks mainly to government investment in industry and the service sector, and direct foreign investment. The country continues to have a stable macroeconomic environment with low unemployment, and government deficit and debt under control.

In terms of industry, the government's strategy has involved supporting operators' in restructuring operations and helping them to internationalize their business, while also attracting foreign investors for high added-value export activities. Target sectors include electronics, pharmaceuticals, health, plastics and aircraft maintenance and other capital-intensive industries that offer high added-value per employee.

Growth in financial services has been unprecedented in recent years. The Maltese government wants to improve the sector's competitive framework and consolidate Malta's position as a benchmark financial centre, specifically in health, investment service administrative operations, software development, e-business, call centres, distance teaching, international booking systems and Electronic Exchange areas.

Tourism is another pillar of Malta's economy. The overriding strategy has been to sell Malta as an all-year-round holiday destination to attract visitors who appreciate its culture and history. There has been investment in other areas, like cruise ship tourism and conferences, as well as in other niche areas such as religious, sport and health tourism.

The online gaming industry has recently seen unparalleled growth and Malta is now home to over 300 international operators who represent 10% of the world's online gambling sites. Similarly, there has been significant growth in information and communications technology. It is expected that the Smart City project, with an investment of more than \$300 million USD to

¹ <http://www.newco.pro/en/economy>

create a technological city, will transform Malta into a centre for excellence in the Mediterranean and create more than 5,000 new jobs.

The Maltese government has identified seven (7) strategic priorities for its future economic development: advanced manufacturing, creative industries, financial services, international education services, life sciences, tourism, transportation and advanced logistics.



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COMMISSION STAFF WORKING DOCUMENT

Country Report Malta 2016

This document is a European Commission staff working document. It does not constitute the official position of the Commission, nor does it prejudice any such position.

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EXECUTIVE SUMMARY

This country report assesses Malta's economy in light of the Commission's Annual Growth Survey published on 26 November 2015. The survey recommends three priorities for the EU's economic and social policy in 2016: re-launching investment, pursuing structural reforms to modernise Member States' economies, and responsible fiscal policies.

Economic performance has been robust over the recent years. The economy has demonstrated notable resilience in a challenging macroeconomic environment over the past several years. Real GDP growth recovered relatively quickly following the 2009 recession and in 2015 it exceeded the pre-crisis peak. Household consumption and net exports have been the main engines of growth. One-off large-scale projects in the energy sector and the finalisation of EU-funded projects boosted investment in 2014-2015, thus also contributing strongly to the expansion of the economy. Real GDP growth is projected to moderate somewhat after 2015, but to remain higher than the long-term average. As a result of the robust economic performance, Malta's GDP per capita is projected to reach 97% of the EU average in 2017. Risks to the medium-term macroeconomic outlook are broadly balanced. Downside risks related to trade shocks are mitigated by competitiveness gains from the successful completion of ongoing structural reforms.

Growth has been job-rich and broad-based. Economic growth has been underpinned by the improved competitiveness of some traditional sectors as well as the emergence of new labour-intensive, export-oriented activities. As a result, the amount of new jobs generated in the post-crisis period is significantly higher than during the boom until 2008. This has been supported by policies targeted in particular towards attracting more women to the labour market. The process of diversification of the economy has reduced its capital and import intensity, contributing to a significant improvement in the external trade balance.

The favourable macroeconomic conditions have contributed to an improvement in public finances, although faster correction would reduce risks from the inherent vulnerabilities. The general government budget deficit has decreased in recent years thanks to strong revenue growth. However, current expenditure has been

growing faster than potential growth, which could create problems in case of shocks to tax revenues. Primary budgetary surpluses and strong economic growth helped the general government debt-to-GDP ratio to fall. However, moderation in economic growth would make further debt reduction more challenging. Sustainability challenges remain in view of the projected increase in age-related budgetary costs. The limited investor base for the government somehow shields it from volatility on international financial markets. However it also implies a lack of diversification and significant spillover risks between different domestic sectors.

Maintaining competitiveness to support the current growth momentum is a continuous challenge. The potential of human capital to contribute to economic growth remains to be fully tapped. Notwithstanding significant progress in recent years, labour market activity remains low, in particular among women. Education and training outcomes are still below targets, affecting the quality of labour supply. Furthermore, inefficiencies in network industries, the public administration and the judicial system hinder the business environment. Declining investment reflects the changing structure of the economy but also a still nascent research and innovation framework as well as limited access to finance for some parts of the economy.

Overall, some progress has been made in addressing the 2015 country-specific recommendations. The authorities have taken steps to improve the professional development of teachers. This is expected to contribute to raising basic skills levels and to reducing early-school leaving in the long-run, but it is too early to assess the results. A number of initiatives for access to finance have been offered to small and medium-sized enterprises, but access to non-bank instruments generally remains limited. While the authorities have recognised the need to ensure the long-term sustainability of the pensions system and indicated intentions to introduce measures to that effect, concrete steps have not yet been proposed.

Regarding the progress in reaching the national targets under the Europe 2020 Strategy, Malta has made good progress towards its targets on employment, reducing greenhouse gases, while more effort is needed on R&D expenditure,

increasing renewable energy, improve energy efficiency, reduce early school leaving, increasing the tertiary education, and reducing poverty.

The main findings of the analysis in this report, and the related policy challenges, are as follows:

- **External sustainability has improved benefitting from the restructuring of the economy.** The emergence of export-oriented services has boosted net external trade, resulting in a surplus in the current account balance. The net international investment position remains positive. Cost competitiveness developments have also been favourable on the back of growing productivity and moderate wage growth.
- **The public debt ratio is lower than the euro area average and it is approaching the 60 %-of-GDP threshold, but the sustainability of public finances remains a challenge in the long run.** The public debt ratio has been on a decreasing path since 2011 on the back of fiscal consolidation and high nominal GDP growth. There appear to be no significant risks in the short and medium term. Yet, long-term sustainability remains a challenge reflecting the budgetary impact of ageing costs, in particular pensions. The efforts by the authorities in containing the long-term expenditure growth in the pension and healthcare systems so far do not appear sufficient to address this risk. The growth of primary current expenditure, exceeding the increases in potential GDP, and the still high level of contingent liabilities present additional challenges to the sustainability of public finances.
- **There is still untapped potential in the labour market to foster economic growth.** With one of the lowest unemployment rates in Europe, the Maltese labour market continues to perform strongly. However, in spite of the gains over the past years, activity rates continue to be among the lowest in the EU, particularly among women. The supply of skills has not fully adjusted to labour market requirements. To offset this, reliance on supply of skills through foreign labour has increased in recent years. The authorities have been investing significantly in the education and training system in recent years. This notwithstanding, education and training outcomes are still below targets, perpetuating the low skills levels in the population.
- **Malta is still away from its 2020 poverty-reduction target.** The risk of poverty and social exclusion increased from 2008 to 2013, most notably for children and the low skilled. Material deprivation has been on the rise and has contributed to the poverty and exclusion risks. New measures have been introduced in recent years to correct these trends.
- **Access to alternative sources of finance for SMEs is still limited.** SMEs rely heavily on debt financing, with implications for the firm indebtedness in the economy. The availability of alternative sources of finance such as crowdfunding, venture capital, business angels is not developed. Since the beginning of 2014, the government put forward policies geared to the provision of equity and venture capital, but these measures appear to be relatively limited, concentrating on tax credits and small amounts for seed funding. Nevertheless, on the whole, SMEs benefit from a better financing environment than many EU peers.
- **Competitiveness could further benefit from the removal of structural bottlenecks in network industries and the public administration.** The authorities aim to diversify the energy mix and bring an end to oil dependency in electricity generation. The reform, however, has yet to be finalised. Import dependency will remain a challenge in the absence of more focused efforts on boosting domestic production of renewable energy and raising energy efficiency. The transport system continues to be characterised by high economic costs caused by significant road traffic congestion. The authorities have yet to present their strategy to tackle the issue. The low efficiency of government administration and of the judicial system continues to pose challenges to Malta's attractiveness to investors. A relatively young and underdeveloped framework for research and innovation constrains the potential for knowledge-driven growth.

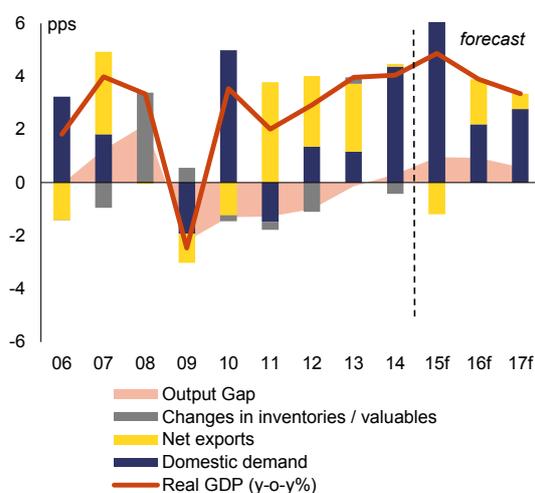
- **Apart from one-off projects, investment has been muted reflecting structural changes in the economy and bottlenecks.** Ongoing large-scale projects result in a significant boost to investment over the underlying trend. The increasing importance of less capital-intensive services sectors, however, lowers the investment needs of the economy going forward. Nevertheless, bottlenecks in the public administration, insufficient capacity to innovate and skills mismatches lower Malta's attractiveness to foreign investors and hamper the ability of businesses to investment.

1. SCENE SETTER: ECONOMIC SITUATION AND OUTLOOK

Economic growth and inflation

Economic growth is expected to accelerate further in 2015. After the rebound in 2010, real GDP growth has picked up in recent years. It rose from 2.1 % in 2011 to 3.5 % in 2014 and is projected to have increased further in 2015. The main drivers of growth are the strong upturn in machinery and equipment investment on the back of a number of large-scale projects, and investment in EU-funded projects. As a share of GDP, investment bounced back strongly in 2015 but is forecast to resume its downward trend thereafter and fall below its long-term average. Compared to the pre-crisis period, real growth increased from an average 2.7 % in the period 2004-2008 to 3.3 % in 2010-2014, and it is projected to pick up further to 4 % in 2015-2017.

Graph 1.1: Contributions to real GDP growth

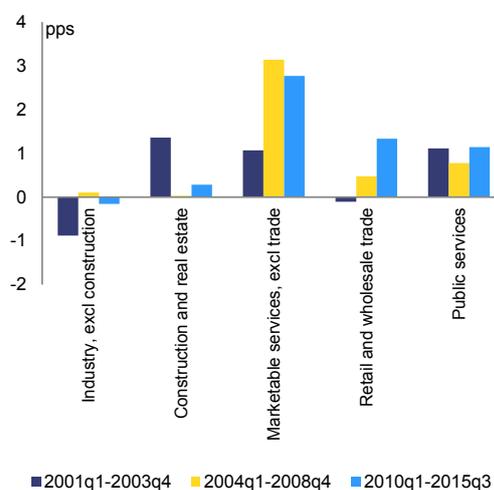


Source: European Commission

Economic activity is increasingly reliant on the services sector. The share of industry in the gross value added has shrunk by around half since Malta joined the EU. The importance of construction activities has also declined considerably. These sectors have been replaced by activities such as gaming, financial services and legal and accounting services. These activities have become the new engine of growth in the Maltese economy, supported by the traditionally strong tourism and retail and wholesale trade sectors as well as public services (see Graph 1.2).

Potential growth has exceeded the levels of the period before the crisis, when potential output growth averaged 2.5 % between 2004 and 2008. According to the most recent estimate, based on the Commission's 2016 winter forecast, potential growth is projected to exceed 4 % in 2015 and to average 3.9 % in 2015-2017, pushed by gains in total factor productivity and sustained increases in employment.

Graph 1.2: Sectoral contributions to growth of gross value added, 4-quarter moving sums



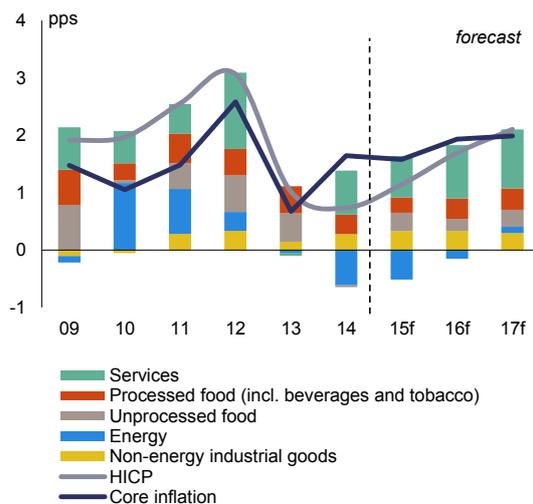
Source: European Commission

The macroeconomic risks are balanced in the medium-term. Being a very small and very open economy, Malta is naturally exposed to disruptions in the global macroeconomic and, in particular, the trade outlook. These inherent risks are to some extent mitigated by the increased reliance on exports of services, the demand for which has proven relatively resilient. The risk outlook is balanced by upside risks related to competitiveness gains that could result from the ongoing structural reforms, such as those in the energy sector (see Section 2.3), the labour market (section 2.2) and the judicial system (section 2.3). This underscores the importance of avoiding delays in the implementation of reforms in order to bolster the resilience of the domestic economy. Risks from tensions in international financial markets appear limited due to the relative insulation of the domestic financial system. The institutions that have international market exposure have limited links with the domestic economy. Nevertheless,

ensuring the stability of the domestic financial system is crucial given that it is the main source of financing for the government and domestic businesses.

Deflationary pressures are not as pronounced as in the rest of the EU. Price inflation bottomed out at 0.8 % in 2014, reflecting the reduction in electricity tariffs, and has been gradually increasing since (see Graph 1.3). The harmonised index of consumer prices (HICP) in Malta outpaced that in the euro area in 2015 mainly due to higher growth in food prices. Overall inflation in Malta is projected to remain faster than in the rest of the euro area and reach 2.1 % in 2017, still below its long-term average.

Graph 1.3: Contributions to HICP inflation



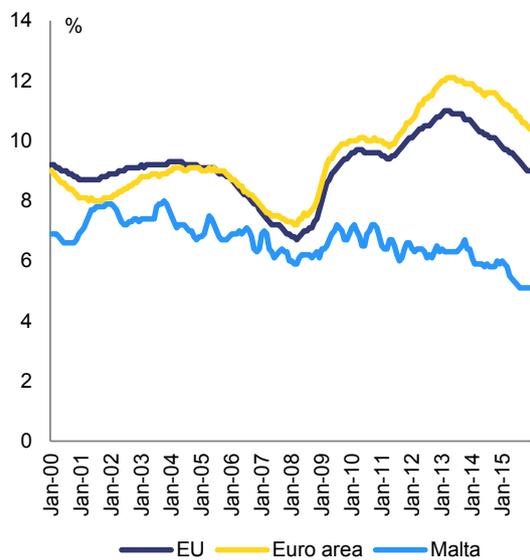
Source: European Commission

Labour market

The labour market has shown remarkable resilience throughout the crisis and is among the most dynamic in the EU. The pace of job creation remained sustained between 2010 and 2014 and reached 4.5 % in 2014, the highest in the Union. Employment expanded by 1.9 % year-on-year during the third quarter of 2015, following a 1.3 % increase in the previous quarter. The employment rate reached 69.2 % in the third quarter of 2015. The active population continues to grow steadily mainly thanks to increased female activity, but also reflecting the impact of foreign labour (see Section 2.2). In the third quarter of

2015 the activity rate of women was at 57.8 %, which means an increase by 1 percentage point from the previous quarter and a 1.5 percentage points increase compared with the third quarter a year earlier. The resilience of the Maltese labour market during the European economic downturn can be attributed to a combination of economic and labour market policies and a prudent approach to wage-bargaining at company level, which helped to keep wage pressures contained and the employment rate growing. Moreover, social dialogue is well established with the Malta Council for Economic and Social Development facilitating discussion between the government, social partners and civil society on strategic documents, draft legislation and key issues related to policies and employment conditions. The outlook for employment growth over the coming years remains positive, though a slowdown in the pace of job creation is expected, in line with GDP projections.

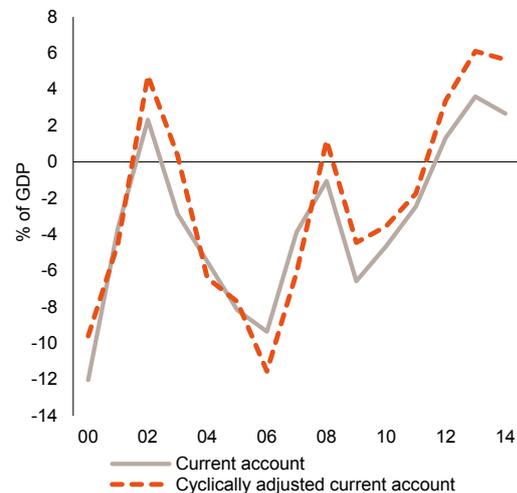
The unemployment rate dropped to 5.1 % at the end of 2015, but low labour market participation and skills supply remain important issues. An increasing number of unemployed persons have made the transition to employment. Combined with a rising labour force, reflecting also an influx of foreign labour, this implies a job-rich growth pattern. As a result, the unemployment rate fell to record-low levels in 2015 (see Graph 1.4) and is expected to remain broadly unchanged in the coming years. Furthermore, the unemployment rate in Malta has remained notably lower and more stable than the euro-area average. Still, the overall activity rate remains low in a comparative perspective. The main reason is the low labour market participation of women which, despite continuous increases, remains far below the EU average. Moreover, the Maltese population is considerably less qualified than the EU average, which can result in skill shortages. In turn, this could present an obstacle to economic growth going forward. Low participation of women and low skills attainment are important factors of the risk of poverty in Malta. The risk of poverty of single earner households (medium work intensity) has increased from 14 % in 2008 to 20 % in 2014, while it remained stable for working households overall at around 5.5 %. The at-risk of poverty and social exclusion rate of the low skilled increased from 23.6 % to 30.1 % during the same period.

Graph 1.4: **Harmonised unemployment rate, seasonally-adjusted**

Age 15 and over
Source: European Commission

Sustainability of the external position

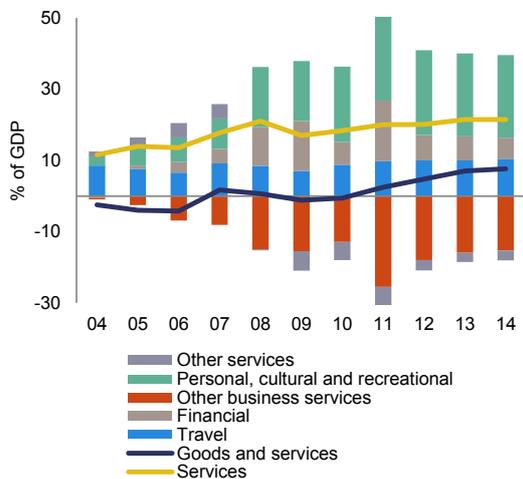
The current account balance has corrected sharply to a position of sizeable surplus. Following a period of persistent deficits, the current account balance has corrected sharply since 2011 to reach a surplus position of over 8 % of GDP for the 12 months ending in the third quarter of 2015. This sharp improvement is the result of significant gains in the services account, thanks in particular to positive developments in the gaming and tourism sectors. After adjusting for the effects of the cycle, Malta's current account surplus is even higher (see Graph 1.5). The economy's external balance was also positively affected by a significant retrenchment in primary income outflows in 2015. As a result, the net international investment position improved further and now stands at around 40 % of GDP, thus providing a buffer against adverse developments. The Commission estimates show that the fundamentals of the economy are more than sufficient to at least maintain the net international investment position ratio at its current level in the medium term unless any unexpected shocks affect economic growth or external trade.

Graph 1.5: **Underlying current account balance**

Source: European Commission

Malta's trade balance improved significantly to reach one of the largest surpluses in the EU, relative to the country's GDP. The surplus in Malta's trade of goods and services reached 8 % of GDP in 2014, the fourth-largest in the EU. The remarkable turnaround from a small deficit in the trade balance in 2010 reflected both a retrenchment in the goods trade deficit as well as an increase in the surplus in the trade of services. The slowdown in investment after 2007 resulted in a significant decline in capital goods imports (from some 30 % of GDP on average in 2002-2007 to just over 23 % of GDP in 2008-2014), which has benefited the merchandise trade balance. Moreover, the services balance has improved remarkably over the past ten years in line with the restructuring of the economy and the emergence of new services, alongside the development of the tourism sector (see Graph 1.6). The growing external trade surplus points to increased savings among Maltese firms and households. Higher savings can be used to offset the still relatively high private sector indebtedness. The government's fiscal stance also contributed positively, as the headline budget balance is projected to improve from an average of 3.6 % of GDP in 2008-2010 to 1.2 % of GDP in 2015-2017.

Graph 1.6: Trade balance, selected items



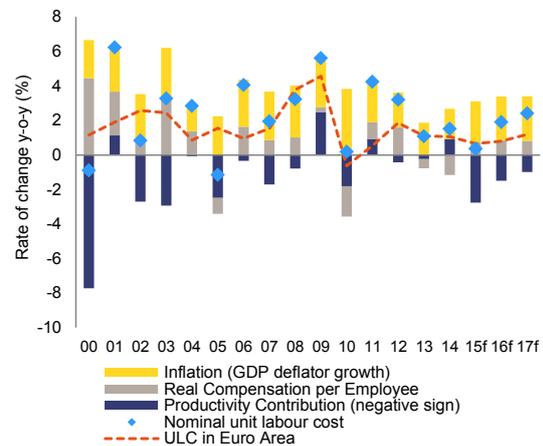
Source: National Statistical Office

Competitiveness

Cost competitiveness developments have been favourable. Wage growth was flat in 2013 and 2014, following several years of considerable growth. Thus, the wage level remains substantially lower than in the EU average. Growth in nominal unit labour costs has moderated and has moved in line with the euro area average in recent years (see Graph 1.7). Unit labour costs are projected to accelerate in 2016-2017 as productivity growth moderates, while the labour market tightness puts some upward pressure on wage developments. The ongoing shift and diversification of economic activities towards more labour-intensive activities increased the share of labour in total costs ⁽¹⁾. This makes growth in unit labour costs more sensitive to wage developments rather than productivity. This has helped to offset the risks associated with the observed productivity slowdown in recent years. In line with this, overall the competitive strength of the Maltese economy has improved with a projected continuation of job growth, particularly in knowledge intensive sectors such as health, ICT and finance.

⁽¹⁾ Micallef, B. (2015), Unit Labour Costs, Wages and Productivity in Malta: A Sectoral and Cross-Country Analysis. Central Bank of Malta, Policy Note: August 2015.

Graph 1.7: Breakdown of the rate of change of nominal unit labour costs



Source: European Commission

While economic activity has been strong, persistent structural weaknesses continue to hinder Malta's growth potential. Significant traffic congestion increases the cost of doing businesses. The energy system was for a long time a drag on competitiveness arising from Malta's isolation from mainland Europe. The near-full dependence on imported oil and network inefficiencies resulted in high electricity tariffs for the industry, while not fully reflecting costs and thus leading to the accumulation of significant debts at the state power utility company. Recent policy measures, however, have aimed to remedy these shortcomings. EY's attractiveness survey ⁽²⁾ and the Global Competitiveness Report ⁽³⁾ both indicate excessive or inefficient public administration as the most problematic factor for doing business and investing. The inefficiency of the judicial system, particularly as regards insolvency procedures, is among the parts of the administration that warrant particular attention. These structural issues are explored in detail in Section 2.3.

Financial sector

The Maltese economy is characterised by the presence of a very large, mainly internationally-oriented financial sector. A defining

⁽²⁾ See <http://www.ey.com/MT/en/Home/EY-2015-malta-attractiveness-survey-malta-as-an-fdi-destination>

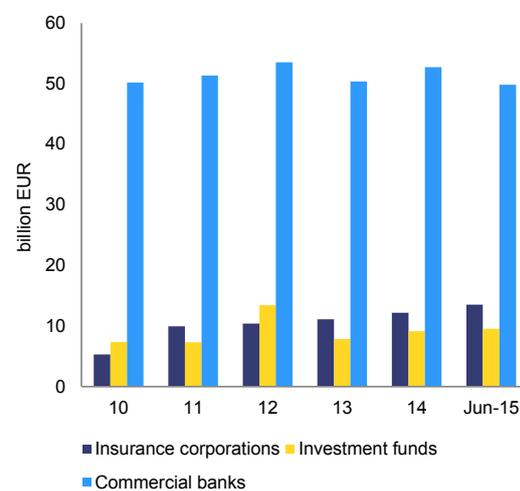
⁽³⁾ See <http://reports.weforum.org/global-competitiveness-report-2015-2016/>

characteristic of the Maltese financial sector is that only a small portion of its relatively large size provides services to resident economic agents, while the internationally-oriented institutions have minimal or no links with the domestic economy. The total assets held by commercial banks, insurance companies and investment funds peaked at 1 074 % of GDP in 2012 and have declined thereafter to EUR 73 billion, i.e. 861 % of GDP in June 2015 (see Graph 1.8). This mainly reflected developments in the banking sector, where the internationally-oriented banks have started to contract their balance sheets. Moreover, due to the negative developments on the international stock markets, investment funds' assets have declined from 186 % of GDP in 2012 to 113 % in June 2015. These developments have been partly offset by growth in insurance corporations, which have increased in size, their assets reaching 160 % of GDP in mid-2015, in comparison to 144 % in 2012 (see Graph 1.8). Preparation for the entry into force of the Solvency II regime ⁽⁴⁾ in January 2016 has been a challenge for the industry, but the supervisor and market participants have indicated confidence in the general readiness of the sector ⁽⁵⁾.

Customer confidence in the core domestic banks remained strong, which has translated into increased levels of liquidity. Resident deposits have increased persistently over the last years and reached EUR 15.9 billion in October 2015, up from EUR 12 billion in December 2012. During the same period, the stock of loans to residents has remained practically flat. As a result, the loan-to-deposit ratio of the core domestic banks fell to below 60 %, well below the euro area average. The lack of credit expansion does not mean that credit to the private sector is constrained. In fact, flows of new credit are available, as otherwise the natural loan amortisation would have led to credit contraction. Nevertheless, increased risk perception and still-tight credit standards, in a context of low interest rates as a result of monetary policy, result in banks preferring not to lock their liquidity inflows to risky and longer-term projects. Asset quality presents a challenge, as the ratio of

non-performing loans remains high, resulting in high provisioning costs ⁽⁶⁾. As a result, banks' profitability has gone down compared to 2011-2012. Nevertheless, the return on equity remains quite high, indicating that the core banks are still capable of generating robust profits (see Table 1.1). Banks' profit generation capacity and their regulatory Tier 1 capital ratio provide a safety cushion against adverse developments, even if the ratio is not particularly high by international standards.

Graph 1.8: Total assets of financial intermediaries



Source: Central Bank of Malta

Table 1.1: Selected financial stability indicators for core domestic banks

	2011	2012	2013	2014	2015H1
Return on assets	0.98	1.05	1.11	0.71	0.85
Return on equity	15.08	15.46	15.27	9.83	11.99
Non-performing loans to gross loans	7.10	7.75	8.95	9.05	8.61
Tier I capital ratio	11.82	12.12	12.88	11.55	11.53

Source: Central Bank of Malta

⁽⁶⁾ Nevertheless, the improvement in Malta's macroeconomic conditions caused the level of non-performing loans to decline in 2015.

⁽⁴⁾ Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II).

⁽⁵⁾ Malta Risk & Insurance Report 2015, Commercial Risk Europe.

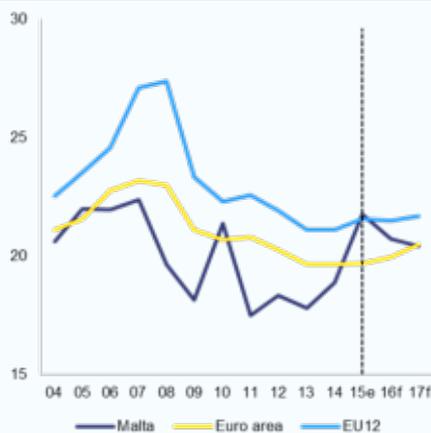
Box 1.1: Investment challenges

Macroeconomic perspective

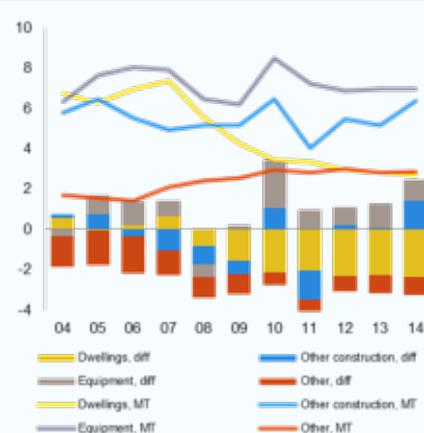
Total investment generally has been following a declining trend since 2007. Private investment declined more strongly than in the rest of the euro area, while government investment remained relatively stable. Private investment is projected to recover in 2015-2017 as the result of improving economic conditions in the euro area. A number of large one-off projects in the energy sector, as well as the finalisation of projects funded by the 2007-2013 EU financial framework give an additional boost to investment, in particular in 2015.

The decline in investment after 2008 reflected the slowdown of the residential construction sector, following a period of rapid growth. Moreover, the sector is still struggling with the legacy of elevated indebtedness and bad investments. In turn, the recovery in recent years has been driven by non-residential investment, in particular large-scale infrastructure projects by both the public and the private sectors. Historically, the share of construction investment in GDP has been lower than the euro-area average, reflecting the limited physical space on the Maltese islands. Investment in intellectual property products is also lower than in the rest of the euro area, although some convergence has been observed in recent years. At the same time, following a dip in 2008-2009, equipment investment remained resilient, exceeding the euro-area average.

Graph 1: Public and private investment as % of GDP, Malta and the euro area



Graph 2: Investment by component as a % of GDP, Malta and the euro area



Source: European Commission 2016 winter forecast

Investment activity in the Maltese economy is affected by structural changes in the economy. Market services have been gradually gaining importance over the past ten years at the expense of the industry and construction sectors. In particular, nearly half of the increase in gross value added since 2004 is accounted for by financial and insurance activities; professional, scientific and technical activities; administrative and support service activities; and arts entertainment and recreation (circled in Graph 3), which are among the least capital-intensive sectors in the economy.

Assessment of barriers to investment and ongoing reforms ⁽¹⁾

Despite improvements in recent years, certain barriers to investment persist ⁽²⁾. The friendliness of the business environment receives a mediocre score in the World Bank's Doing Business indicators, particularly

⁽¹⁾ http://ec.europa.eu/europe2020/pdf/2016/ags2016_challenges_ms_investment_environments_en.pdf

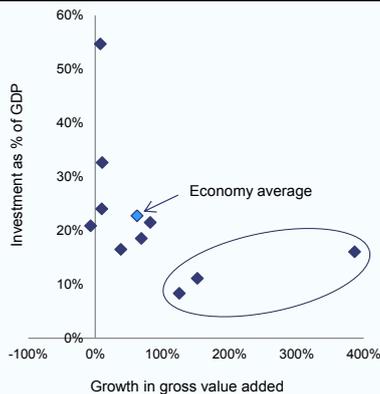
⁽²⁾ http://ec.europa.eu/europe2020/pdf/2016/ags2016_challenges_malta_en.pdf

(Continued on the next page)

Box (continued)

in the areas of starting a business, registering property, resolving insolvency and dealing with construction permits. Additional problems include difficulties in obtaining financing for research, development and innovation as well as skills bottlenecks. These barriers are explored in more detail in sections 2.2 and 2.3.

Graph 3: Public and private investment as % of GDP, Malta and the euro area



Source: European Commission

The public administration still harbours inefficiencies. Particular problems include the costs of enforcing contracts and the licensing and permit systems, government administration and lengthy insolvency procedures. In many areas the authorities have initiated measures to address inefficiencies, but they have still to be brought to fruition and their impact remains to be seen. In the area of construction, excessively long administrative procedures and difficult access to financing hinders investment in renewing the building stock.

The insufficient capacity to innovate is seen as one of the most problematic factors in doing business and attracting investment. Key challenges to be tackled include a weak human resources base in science and technologies and the lack of critical mass in specific research areas. Strengthening linkages between the academic and the private sector for effective knowledge transfer is essential, as well as investing more in academic research. Another challenge is the lack of research and innovation investments to develop marketable products and services, and the need to improve the product market regulation⁽³⁾. Intellectual property is recognised as key to innovation and reforms are currently ongoing in this area. The government has also approved amendments to patent legislation. Evidence from a recent study⁽⁴⁾ suggests that there is some scope to reduce the fragmentation and overlap of R&D tax instruments. The capacity to innovate is hindered by lack of alternative forms of financing.

Vacancy bottlenecks have been identified across the entire skills spectrum. The inability to match certain job vacancies with available labour supply is particularly visible within the highly-skilled occupations, namely in the health care, the financial and the information, communication and technologies sectors. Within lower-skilled occupations, the hospitality and tourism sectors are the most affected. A substantial inflow of foreign workers is helping to fill in the gap. Malta is also introducing relevant measures to overcome the challenge and they may have a positive impact in a longer term. Work on establishing a Skills Council is ongoing and a more centralised comprehensive approach to skills forecasting is being developed. The provision of vocational education and training and the apprenticeship scheme are being strengthened.

⁽³⁾ Doing business. Measuring Regulatory Quality and Efficiency 2016, World Bank

⁽⁴⁾ CPB (2014) A Study on R&D Tax Incentives, Taxation Papers, Working Paper No 52 – 2014 European Commission

Box 1.2: Contribution of the EU Budget to structural change

Malta is an important beneficiary of European Structural and Investment Funds (ESIF) with EUR 828 million available for the period 2014-2020. This is equivalent to 1.3% of GDP (on an annual basis) and 34.7% of the expected national public investment in areas supported by the ESIF.

A number of reforms had to be implemented to satisfy ex-ante conditionalities and ensure that the Cohesion policy contributes to an effective delivery of the Europe 2020 objectives and targets. Reforms in the transport sector are still pending, for which an action plan scheduled to be completed during 2015 is delayed and is now expected to be completed in 2016. Where ex-ante conditionalities are not fulfilled by end 2016, the Commission may suspend interim payment to the priorities of the programme concerned.

The programming of the Funds was based on priorities and challenges identified in recent years in the context of the European Semester, for instance in relation to CSRs on addressing the labour-market relevance of education and training, improving the labour-market participation of women and diversifying the energy mix by increasing the share of energy produced from renewable sources. Regular monitoring of implementation includes reporting in mid-2017 on the contribution of the funds to Europe 2020 objectives and progress in addressing relevant structural reforms to maximise the use of EU financing (notably in R&DI, climate change, labour market, education and social areas).

Financing under the new European Fund for Strategic Investments (EFSI), Horizon 2020, the Connecting Europe Facility and other directly managed EU funds would be additional to the ESIF. Following the first rounds of calls for projects under the Connecting Europe Facility, Malta has signed agreements for EUR 39 million for transport projects. For more information on the use of ESIF in Malta, see: <https://cohesiondata.ec.europa.eu/countries/MT>.

Table 1.2: Key economic, financial and social indicators

	2003-2007	2008	2009	2010	2011	2012	2013	2014	forecast		
									2015	2016	2017
Real GDP (y-o-y)	2.5	3.3	-2.5	3.5	2.0	2.9	4.0	4.1	4.9	3.9	3.4
Private consumption (y-o-y)	3.5	-0.2	1.8	-0.2	3.0	-0.2	2.0	2.8	4.0	3.4	2.6
Public consumption (y-o-y)	1.4	12.3	-3.3	1.6	3.8	6.3	0.2	7.8	2.5	4.9	6.3
Gross fixed capital formation (y-o-y)	11.7	-9.2	-11.8	26.4	-18.3	1.4	-0.2	7.6	19.1	-2.6	1.0
Exports of goods and services (y-o-y)	6.0	19.4	-0.4	6.9	2.3	6.7	0.8	0.0	2.7	4.5	4.8
Imports of goods and services (y-o-y)	7.2	19.5	0.3	7.6	-0.2	5.2	-0.8	-0.1	3.7	3.5	4.7
Output gap	0.5	2.2	-2.2	-1.3	-1.3	-1.0	-0.1	0.3	1.0	0.9	0.6
Potential growth (y-o-y)	2.5	2.4	1.9	2.6	2.0	2.6	3.1	3.6	4.2	3.9	3.7
Contribution to GDP growth:											
Domestic demand (y-o-y)	4.0	0.0	-1.9	5.0	-1.5	1.4	1.2	4.4	6.1	2.2	2.8
Inventories (y-o-y)	-0.2	3.4	0.6	-0.2	-0.3	-1.1	0.2	-0.4	0.0	0.0	0.0
Net exports (y-o-y)	-1.3	0.0	-1.1	-1.2	3.8	2.7	2.6	0.1	-1.2	1.7	0.6
Contribution to potential GDP growth:											
Total Labour (hours) (y-o-y)	0.4	0.9	0.8	0.5	0.4	0.9	1.2	1.4	1.4	1.4	1.2
Capital accumulation (y-o-y)	1.3	1.1	0.7	1.3	0.5	0.5	0.5	0.7	1.2	1.0	1.0
Total factor productivity (y-o-y)	0.8	0.4	0.5	0.8	1.0	1.2	1.4	1.5	1.6	1.6	1.5
Current account balance (% of GDP), balance of payments	-4.7	-1.1	-6.6	-4.7	-2.4	1.3	3.6	3.0	.	.	.
Trade balance (% of GDP), balance of payments	-1.7	0.7	-1.2	-0.6	2.5	4.8	7.1	7.1	.	.	.
Terms of trade of goods and services (y-o-y)	0.4	-0.5	-0.1	1.1	-0.1	-0.3	0.4	0.7	0.0	0.3	0.2
Capital account balance (% of GDP)	2.3	0.4	1.2	2.0	1.2	1.9	1.7	1.7	.	.	.
Net international investment position (% of GDP)	30.8	4.2	12.6	12.1	7.9	21.2	20.4	34.6	.	.	.
Net marketable external debt (% of GDP) ¹	76.5	45.4	70.5	202.4	199.3	247.5	208.7	208.1	.	.	.
Gross marketable external debt (% of GDP) ¹	454.0	724.3	717.9	679.0	701.8	690.9	665.6	706.1	.	.	.
Export performance vs. advanced countries (% change over 5 years)	.	23.4	58.1	49.1	27.7	24.6	6.2	-12.00	.	.	.
Export market share, goods and services (y-o-y)	-0.4	14.0	17.2	-11.0	-4.3	-1.7	-0.3	-1.3	.	.	.
Net FDI flows (% of GDP)	-155.4	14.4	-88.1	-68.3	-135.4	-126.6	-91.9	-84.4	.	.	.
Savings rate of households (net saving as percentage of net disposable income)	.	.	.	.	.	.	.	.	.	.	.
Private credit flow (consolidated, % of GDP)	9.8	15.6	13.7	5.5	5.0	2.6	3.6	7.8	.	.	.
Private sector debt, consolidated (% of GDP)	136.9	152.8	167.6	161.9	158.4	154.4	148.3	146.4	.	.	.
of which household debt, consolidated (% of GDP)	46.8	54.2	59.9	59.0	59.5	60.0	60.0	60.6	.	.	.
of which non-financial corporate debt, consolidated (% of GDP)	90.1	98.6	107.7	102.9	98.9	94.4	88.3	85.8	.	.	.
Corporations, net lending (+) or net borrowing (-) (% of GDP)	.	.	.	.	.	.	.	.	.	.	.
Corporations, gross operating surplus (% of GDP)	24.0	25.8	24.3	25.5	.	.	.	.	.	.	.
Households, net lending (+) or net borrowing (-) (% of GDP)	.	.	.	.	.	.	.	.	.	.	.
Deflated house price index (y-o-y)	13.9	7.2	-6.1	-1.1	-3.7	0.5	-1.5	2.6	.	.	.
Residential investment (% of GDP)	6.8	5.6	4.3	3.4	3.4	3.0	2.8	2.6	.	.	.
GDP deflator (y-o-y)	2.4	3.0	2.7	3.8	2.3	2.0	1.9	1.8	2.4	2.5	2.6
Harmonised index of consumer prices (HICP, y-o-y)	2.1	4.7	1.8	2.0	2.5	3.2	1.0	0.8	1.2	1.7	2.1
Nominal compensation per employee (y-o-y)	3.7	4.0	3.0	2.0	3.3	3.7	1.3	0.6	3.1	3.4	3.4
Labour productivity (real, person employed, y-o-y)	1.5	0.8	-2.5	1.8	-0.9	0.4	0.2	-0.9	.	.	.
Unit labour costs (ULC, whole economy, y-o-y)	2.2	3.2	5.6	0.2	4.2	3.2	1.1	1.5	0.4	1.9	2.4
Real unit labour costs (y-o-y)	-0.2	0.2	2.8	-3.5	1.9	1.2	-0.8	-0.2	-2.0	-0.6	-0.2
Real effective exchange rate (ULC, y-o-y)	2.6	2.7	1.3	-3.1	3.9	-0.6	2.5	1.0	-3.6	1.1	.
Real effective exchange rate (HICP, y-o-y)	1.6	3.7	0.8	-5.0	-0.8	-1.9	1.4	0.5	-2.6	2.0	-0.1
Tax wedge on labour for a single person earning the average wage (%)	17.9	16.9	16.5	16.9	18.1	19.2	19.8	19.1	.	.	.
Tax wedge on labour for a single person earning 50% of the average wage (%)	8.4*	8.0	7.7	8.4	9.4	9.8	10.2	9.8	.	.	.
Total Financial Sector Liabilities, non-consolidated (y-o-y)	50.9	13.5	3.8	13.0	10.9	5.8	2.1	6.3	.	.	.
Tier 1 ratio (%) ²	.	11.8	14.1	13.3	13.3	12.7	12.5	12.1	.	.	.
Return on equity (%) ³	.	6.3	11.7	12.1	5.8	14.1	9.8	4.6	.	.	.
Gross non-performing debt (% of total debt instruments and total loans and advances) (4)	.	1.3	1.7	1.6	1.5	1.7	2.0	3.2	.	.	.
Unemployment rate	7.0	6.0	6.9	6.9	6.4	6.3	6.4	5.8	5.4	5.3	5.3
Long-term unemployment rate (% of active population)	3.1	2.5	2.9	3.1	3.1	3.1	2.9	2.7	.	.	.
Youth unemployment rate (% of active population in the same age group)	15.8	11.7	14.5	13.2	13.3	14.1	13.0	11.7	12.1	.	.
Activity rate (15-64 year-olds)	58.2	59.1	59.4	60.4	61.8	63.1	65.0	66.3	.	.	.
People at-risk poverty or social exclusion (% total)	19.9	20.1	20.3	21.2	22.1	23.1	24.0	23.8	.	.	.
Persons living in households with very low work intensity (% of total population aged below 60)	9.6	8.6	9.2	9.2	8.9	9.0	9.0	9.8	.	.	.
General government balance (% of GDP)	-4.2	-4.2	-3.3	-3.2	-2.6	-3.6	-2.6	-2.1	-1.6	-1.1	-1.0
Tax-to-GDP ratio (%)	32.5	33.4	33.8	32.5	33.2	33.3	33.6	35.0	34.6	34.5	34.3
Structural budget balance (% of GDP)	.	.	.	-3.9	-2.5	-3.4	-2.6	-2.5	-2.2	-1.6	-1.3
General government gross debt (% of GDP)	67.6	62.7	67.8	67.6	69.8	67.4	68.5	66.9	64.0	61.2	58.7

(1) Sum of portfolio debt instruments, other investment and

(2,3) domestic banking groups and stand-alone banks.

(4) domestic banking groups and stand alone banks, foreign (EU and non-EU) controlled subsidiaries and foreign (EU and non-EU) controlled branches.

(*) Indicates BPM5 and/or ESA95

Source: European Commission, winter forecast 2015; ECB

Source: European Commission, 2016 winter forecast; ECB

2. STRUCTURAL ISSUES

This section provides an analysis of main structural economic and social challenges for Malta. Focusing on the policy areas covered in the 2015 country-specific recommendations, this section analyses issues related to taxation, the quality and sustainability of public finances, labour market, education and social policies, inefficiencies in network industries, the business-friendliness of public administration, the environment for access to finance for SMEs, the research and innovation framework and the justice system.

2.1. TAXATION, QUALITY OF PUBLIC FINANCES AND LONG-TERM FISCAL SUSTAINABILITY

Taxation

The Maltese tax system is efficient when it comes to certain aspects of providing services to taxpayers. In terms of the time it takes to prepare, file and pay taxes, Malta performs well, ranking tenth in the EU with an average of 139 hours per year compared with a EU average of 185.6 hours ⁽⁷⁾. Administrative costs, which can reflect the complexity of the tax system, are relatively low, representing 0.95 % of net revenue collections ⁽⁸⁾. Malta offers pre-filled tax returns and various e-services, and was also the first EU country to introduce a tax receipts lottery aimed at providing consumers with an incentive to ask for a receipt, thus making it easier for the tax authorities to check VAT compliance.

Despite recent progress, there is scope to further improve the quality of the tax administration. Efforts to improve tax compliance and tackle tax evasion are important for securing tax revenues, achieving greater efficiency in tax collection, and promoting fairness. In spite of measures to strengthen its tax system in order to enhance compliance, Malta still faces challenges in this area. Nevertheless, there are some encouraging signs. While still high, the level of undisputed debt in relation to net revenue collections decreased by 0.7 percentage points in 2013, reaching 23.2 % ⁽⁹⁾. The gross closing balance of tax arrears ⁽¹⁰⁾ stood at 28 % of GDP in 2014, of which 14 % and 7.5 % of GDP respectively related to value added tax

(VAT) and income tax arrears. Out of this balance, around 6.1 % of GDP was considered as collectable, with collectable VAT arrears representing only 0.9 % of GDP. While the VAT gap is relatively high in comparison with other Member States, a strong revenue performance helped to move it downwards in 2013. The gap, which represents the difference between the amount of VAT actually collected and the amount that is theoretically collectable based on VAT legislation, declined from 31 % of the total liability in 2012 to 26 % in 2013 due to a 9.3 % increase in VAT revenues (Graph 2.1.1) ⁽¹¹⁾. Between 2011 and 2013, the amount of revenue collected from tax verification activities (audit, controls, checks etc.) also increased, with the value of assessments rising from 0.7 % of total net revenue collections in 2011 to 1.6 % in 2013 ⁽¹²⁾.

⁽¹¹⁾ CASE/CPB, 'Study to Quantify and Analyse the VAT Gap in the EU Member States, 2015 Report'.

⁽¹²⁾ OECD (2015) op cit.

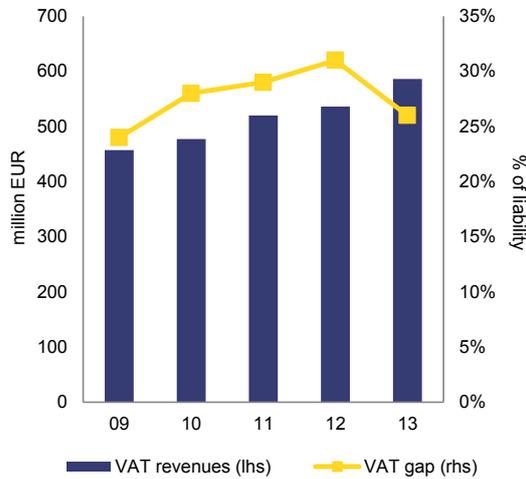
⁽⁷⁾ World Bank. 2016. Doing Business 2016: Measuring Regulatory Quality and Efficiency. Washington, DC: World Bank.

⁽⁸⁾ OECD (2015) op cit.

⁽⁹⁾ OECD (2015), Tax Administration 2015: Comparative Information on OECD and Other Advanced and Emerging Economies, OECD Publishing, Paris.

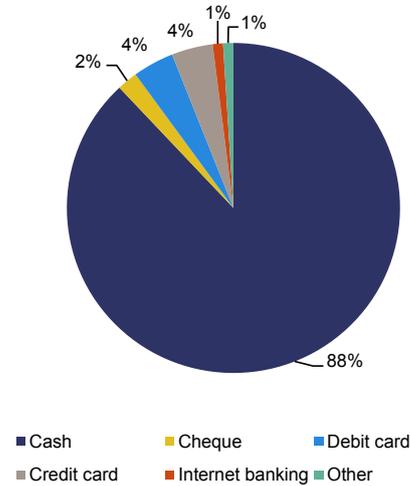
⁽¹⁰⁾ Based on data from the National Audit Office, 'Report by the Auditor General on the Public Accounts 2014'.

Graph 2.1.1: VAT gap



Source: Eurostat, 2013 Update Report to the Study to quantify and Analyse the VAT Gap in 26 EU Member States, CASE and CPB Netherlands Bureau for Economic Policy Analysis, Warsaw, May 2015

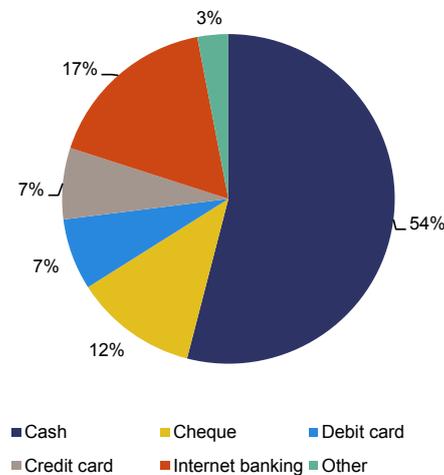
Graph 2.1.2: Use of payment instruments by volume



Source: Central Bank of Malta calculations

In addition, electronic payments remain under-used. Malta still lags behind in the use of electronic payment instruments. In 2014, such payments amounted to EUR 264 200 per capita compared with an EU average of EUR 484 720. Cash is the most popular medium in the country, representing 88 % of payments made in volume terms and 54 % in value terms⁽¹³⁾ (see Graphs 2.1.2 and 2.1.3) as there are no limits to cash payments in Malta. After cash, internet banking accounted for 17 % of transactions in terms of value but only 1.3 % in volume, implying that this medium tends to be used for higher value payments⁽¹⁴⁾. Promoting the wider use of electronic payments can reduce the opportunities for underreporting of income and tax evasion.

Graph 2.1.3: Use of payment instruments by value



Source: Central Bank of Malta calculations

⁽¹³⁾ Central Bank of Malta (2015), ‘An Analysis of Maltese Payment Habits’ (published in the Annual Report 2014, pp. 125-130).

⁽¹⁴⁾ Source: European Central Bank. Figures cover credit transfers, direct debits and card payments.

A number of relevant measures have been taken to improve tax compliance and tackle tax evasion. The government has launched a national strategy for electronic payments which aims at a smooth transition towards such means of payment. It has been announced that a steering committee has been tasked to make recommendations towards increasing electronic payments and is due to present its report in 2016. This work will include a study on the potential impact of introducing a limit to the use of cash. A survey of payment habits carried out by the Central Bank of Malta has also

been published⁽¹⁵⁾, and provides useful evidence which seems to support the government strategy to expand electronic payments and should help to feed into the design of future policy. Some property-related measures have also been introduced which aim to simplify the tax system and reduce tax avoidance and evasion. The previous capital gains tax system, which allowed those selling an immovable property to choose between paying 12 % on the value of the property or 35 % on the capital gain from the sale, was replaced in 2015 by a simplified final withholding tax based on the value of the property. In the 2016 budget it was announced that Malta is working on introducing the concept of fiscal consolidation for companies. This should allow groups of companies with the same owners to submit their revenue in an aggregate manner as if they were a single company, thus simplifying the computation of revenue and the declaration of income for the companies concerned and for the Department of Inland Revenue. Efforts have also been made to raise public awareness about the use of public funds, and hence improve taxpayers' compliance, through the launch of an educational campaign which shows how tax revenues collected are used for infrastructure, services, health, education, and social security. Other measures such as the automation of the debt collection process across tax types are planned to be implemented in the medium term.

The project to merge the various revenue departments into a single organisation is still ongoing. Such a merger aims to improve services to taxpayers, reduce bureaucracy, and collect revenues more efficiently and effectively. This complex project was launched in 2012 and is planned to be implemented over several years. Advice has also been obtained from IMF experts. The amalgamation will necessitate legislative, organisational, and logistical changes, including the redesign of information technology systems. It is currently planned that completion will be around 2017. However, as yet, little information is available on the impact of these changes so far.

Several features of the tax system can be used in structures of aggressive tax planning⁽¹⁶⁾. In

⁽¹⁵⁾ Central Bank of Malta (2015) op cit.

⁽¹⁶⁾ For an overview of the most common structures of aggressive tax planning and the provisions (or lack thereof)

particular, the absence of anti-abuse rules⁽¹⁷⁾ is relevant. Furthermore, the absence of deemed income from interest-free loans⁽¹⁸⁾ and the tax exemption for intellectual property income⁽¹⁹⁾ can prompt or facilitate aggressive tax planning in the absence of sufficient safeguards. In addition, while Malta's corporate income tax rate is one of the highest in the EU (35 %), its full imputation tax system and associated refunds can reduce the effective tax rate to as low as around 5 %. The level of inward and outward foreign direct investment stock amounted to approximately 1750 % and 750 % of GDP in 2014⁽²⁰⁾. Around 95 % of these positions was held by so-called special purpose entities⁽²¹⁾ suggesting that Malta is used by multinational companies to channel tax-driven financial flows to other jurisdictions.

Quality of public finances

Public expenditure as a share of GDP was below the euro-area average in 2014. In 2014, public expenditure net of one-offs stood at 43.9 % of GDP, well below the euro area and EU average of 48.9 % and 48.0 % of GDP respectively. This seems to be confirmed also when excluding the cost of servicing public debt, with Malta's primary expenditure at 41 % of GDP against an euro area

necessary for these structures to work, see Ramboll Management Consulting and Corit Advisory (2016), Study on Structures of Aggressive Tax Planning and Indicators, European Commission Taxation Paper n°61. It should be noted that country-specific information provided in the study gives the state of play at May/June 2015.

⁽¹⁷⁾ For example, the lack of controlled foreign companies rules, of thin capitalisation or interest-deduction-limitation rules, of rules whereby the deductibility of interest depends on the tax treatment in the creditor's state, or of rules to counter mismatches in tax qualification of domestic companies or partnerships and those of a foreign state.

⁽¹⁸⁾ The above-mentioned study refers to the fact that the deemed income on interest free loans is not taxable. This can give rise to aggressive tax planning structures if, meanwhile, the borrowing company is allowed to claim a tax deduction regardless of the fact that no such interest accrues or is paid. However, it is also reported that transactions should be executed on an arm's-length basis, and accordingly such a transaction may be challenged by the authorities.

⁽¹⁹⁾ It should be noted that it is reported that in practice, this exemption provision has not yet started to be implemented.

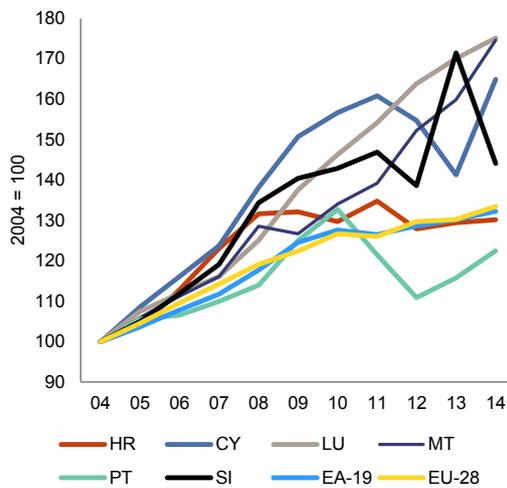
⁽²⁰⁾ Source: Eurostat

⁽²¹⁾ A special purpose entity is a legal entity that has little or no employment, operations or physical presence in the jurisdiction where it is located. It is related to another corporation, often as its subsidiary, and is typically located in another jurisdiction.

and EU average of 46.2 % and 45.5 % of GDP respectively. Malta was among the Member States that benefited from the reduction in nominal yields that followed the adoption of the euro (entailing an overall contraction in the cost of servicing debt by 2.5 % over 2004-2014). When comparing with small Member States (i.e. Croatia, Cyprus, Luxembourg, Portugal and Slovenia), primary expenditure in Malta seems to remain among the lowest.

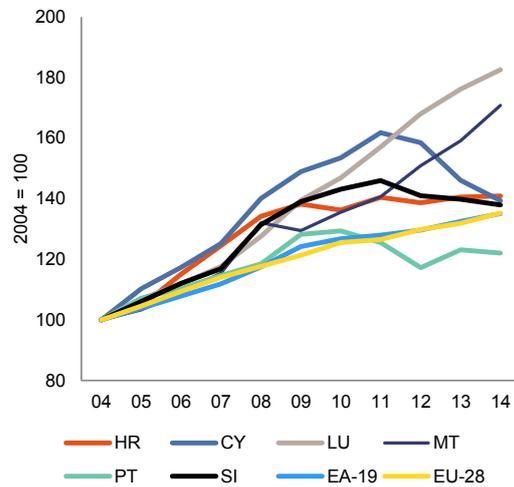
Primary expenditure has increased rapidly since joining the EU. Between 2004 and 2014, primary expenditure net of one-offs grew on average by 4.7 % at current prices and by 2.3 % in real terms, one of the highest increases among small Member States (see Graph 2.1.4). As a share of potential GDP, primary expenditure increased by 1.9 percentage points, reaching 41.2 % in 2014.

Graph 2.1.4: Total primary expenditure at current prices, selected EU countries



Source: European Commission

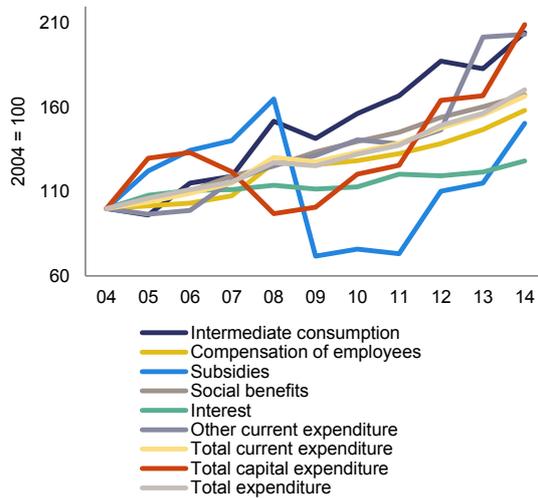
Graph 2.1.5: Current primary expenditure at current prices, selected EU countries



Source: European Commission

Primary current expenditure grew at a pace above potential GDP growth. During the pre-crisis years 2004-2007, current primary expenditure grew in nominal terms at 5.1 % per year on average, above the euro area and EU average (3.7 % and 4.5 % respectively). In the post-crisis period (2008-2014) primary current expenditure increased on average by 5.8 % (see Graph 2.1.5). In particular, in 2012-2014, despite the fiscal consolidation needed to correct the excessive deficit, primary current expenditure started growing at a pace of 6.7 % per year, well above both the euro area and EU average (1.8 % and 2.3 % respectively). Overall, as a share of potential GDP, primary current expenditure increased by 1.8 percentage points between 2004 and 2014, reaching 36.2 %. This reflects a rise at a pace above potential GDP growth, in particular in recent years.

Graph 2.1.6: Total expenditure at current prices by category



Source: European Commission

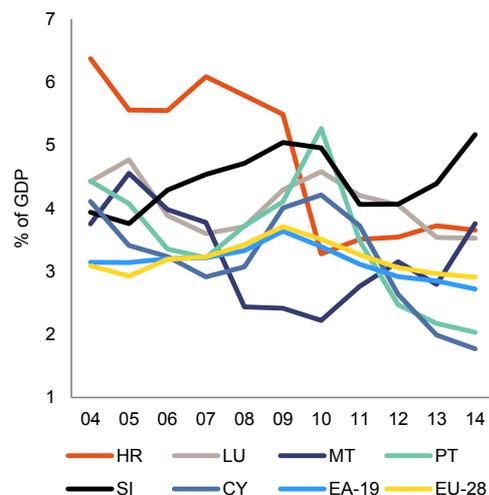
During the post-crisis years, the increase in some components of current expenditure has been particularly strong. Starting from 2012, some current expenditure items have grown strongly after a more moderate trend in the years following EU accession (see Graph 2.1.6). In particular, compensation of employees increased on average over 2012-2014 by 6.1 % due to both higher average wages and higher employment in both the health and education sector. This increase includes the impact of the sectoral and public service collective agreements which were finalised in 2012, and occurred despite the repeated commitment to restrain public wages. Despite the restraint in 2013, intermediate consumption increased on average by 7.2 % between 2012 and 2014 as the result of higher expenditure on medicines and on residential care for elderly people. The average increase of current subsidies was above 28 % due to increasing subsidies to the energy sector and subsidies to the public transport system, while other current expenditure grew on average by 14.8 %.

Primary expenditure dynamics have been impacted by a significant increase in capital expenditure in recent years. Public investment also contributed quite significantly to the fiscal restraint needed to correct the excessive deficit in 2004-2010 (see Graph 2.1.7). It was thus one of the few expenditure items to record a negative growth over that period. In the period 2011-2014,

public investment started speeding up, driven both by EU funds of the 2007-2013 programming period and higher investments by central government (namely the Extra Budgetary Units). Capital transfers exhibited a mixed trend, starting to increase in 2012 due to subsidies granted to Air Malta as part of the restructuring plan (see Graph 2.1.8).

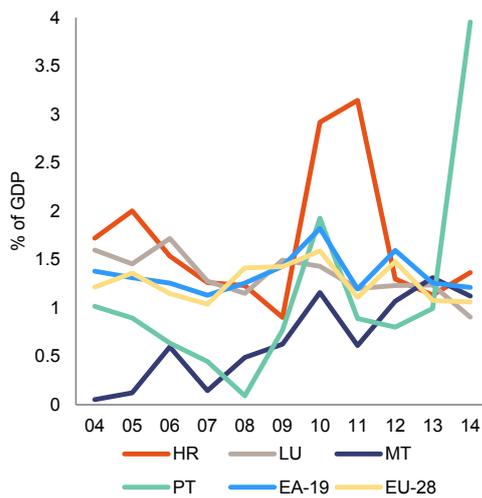
State-owned enterprises are a source of potential risks to the state budget. Overall, total subsidies (both current and capital) to the economy increased from 2.0 % of GDP in 2004 to 2.5 % of GDP in 2014. After some moderation in 2009-2011, when they averaged 1.7 % of GDP, subsidies increased again reaching 2.5 % of GDP in 2014. While Malta has been comparatively less affected by the tensions in financial markets and no government rescue operations took place following the financial crisis, the level of subsidies to state-owned enterprises has increased in recent years. The ongoing restructuring of state-owned enterprises (such as Enemalta and Air Malta) and the privatisation of the public transport service are critical to contain fiscal risks. The state is the largest employer and its involvement in the economy has had significant fiscal and economic implications. It is therefore important to manage risks to public finances from state-owned enterprises in a comprehensive manner.

Graph 2.1.7: Gross fixed capital formation, selected EU countries



Source: European Commission

Graph 2.1.8: **Other capital expenditure, including capital transfers, selected EU countries**



Source: European Commission

Fiscal framework

The Fiscal Responsibility Act was adopted by the Maltese Parliament in July 2014, with a view to transposing the requirements of Directive 85/2011/EU on budgetary frameworks and the Fiscal Compact. It introduced a balanced-budget rule in structural terms and a debt rule as well as a three-year rolling budgetary framework (National Medium-Term Fiscal Plan) which should improve the predictability of the budgetary planning. All three elements encompass the whole general government. Moreover, the Act provided for the establishment of the Malta Fiscal Advisory Council whose duties include endorsing the government's official macroeconomic and fiscal forecasts as well as *ex ante* and *ex post* monitoring of compliance with fiscal rules.

The Malta Fiscal Advisory Council has been operational since the beginning of 2015. The members of the Malta Fiscal Advisory Council were appointed in January 2015. According to the latest information reported in the Draft Budgetary Plan for 2016, the supporting bureau has been set up and the intended numbers of permanent staff have been recruited. While still relying on external consultants, the plan is to reduce their involvement in the Council's activities in 2016. The Council holds regular meetings with the main stakeholders (the Economic Policy Department and the Budgetary Affairs Office of the Ministry for

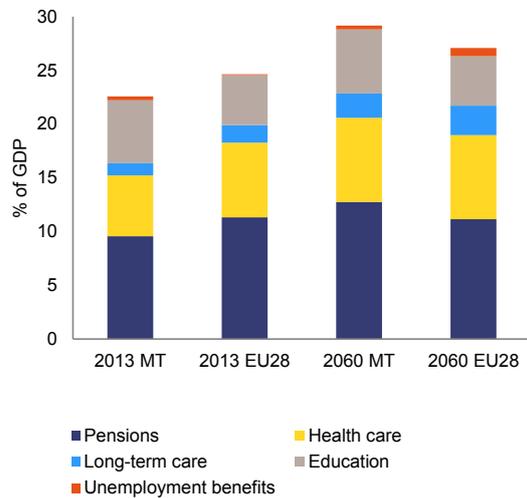
Finance, the National Statistics Office, the Treasury and the National Audit Office) and receives regular reports and data on fiscal issues. Since it started work, the Council has published three reports. In 2015, the Council carried out an assessment and an endorsement of the government's macroeconomic and fiscal projections as published in the Update of the Stability Programme and in the Draft Budgetary Plan for 2016, respectively. In September, the Council issued an Assessment of the Medium-Term Fiscal Strategy 2015-2018, Annual Report 2014 and Half-Yearly Report 2015 (previously published by the Ministry of Finance).

Long-term fiscal sustainability

Malta does not appear to face debt sustainability risks in the short and medium term. The government debt-to-GDP ratio is lower than the euro area average and it is rapidly approaching the 60 % of GDP threshold. Over the short term, Malta does not appear to face significant risks of stress arising from the fiscal side of the economy. Furthermore, the structure of public debt financing, in terms of maturity, creditor base (residents versus non-residents) and currency denomination, does not give rise to short-term risks. Looking to the medium term, public debt appears to decrease further. Under a normal fiscal policy scenario ⁽²²⁾, the debt-to-GDP ratio is projected to fall below the critical threshold of 60 % as early as in 2018 and to around 50 % in 2026. In addition, further improvements may be achieved if compliance with the preventive arm of the Stability and Growth Pact is achieved, since public debt would decrease more substantially than in the baseline projections, going below 40 % of GDP in 2026. Therefore, no significant sustainability risks appear over the medium term.

⁽²²⁾ Namely, under the hypothesis that the structural primary balance remains constant at 0.9 % of GDP as of the last Commission forecast year (2017) until 2026.

Graph 2.1.9: Components of total age-related expenditure



Source: European Commission, 2015 Ageing report

In the long term, however, sustainability risks do appear. Malta appears to be at medium risk due to a relatively high value of the required long-term fiscal adjustment (4.4 percentage points of GDP) needed to put its debt on a sustainable path over the long-term. The projections of implicit liabilities related to the cost of ageing reflect the long-term challenges in terms of an ageing population. The steep increase in projected age-related expenditure is related in particular to pension expenditure (3.2 percentage points of GDP) but also healthcare and long-term care expenditure (2.1 percentage points and 1.2 percentage points respectively) ⁽²³⁾.

Pension system

The pension system faces the double problem of achieving sustainability while ensuring adequate retirement incomes. Pension expenditure was lower than the EU average in 2013, at 9.6 % of GDP, but it is projected to increase to 12.8 % by 2060 ⁽²⁴⁾, one of the highest in the EU. The pay-as-you-go ‘two thirds pension’ is capped at a rather low level, while the guaranteed national minimum pension level currently stands at two thirds of the national minimum wage (four fifths for married couples). The relative income ratio of people aged over 65

⁽²³⁾ 2015 Ageing Report.

⁽²⁴⁾ 2015 Ageing Report.

compared to the working-age population is 0.78 (the EU average is 0.93).

Malta scores slightly worse on average than the rest of the EU in terms of poverty prevention, and important coverage gaps exist. The share of older people who are at risk of poverty is higher than the general population (17.2 % against 15.9 %), and 3.9 percentage points higher than the EU average (13.3 %). Women over 65 years of age are at a higher risk of poverty due to the fact that they are more likely to live longer, are less likely to receive their own pensions, and the level of their pension benefits is generally lower than that for men. The gender pension gap (for people aged 65-79) in Malta stands at 25.6 and is lower than the EU average of 40.2 ⁽²⁵⁾. However, the gender gap in the non-coverage rate ⁽²⁶⁾ is significantly higher at 36.5 compared to a much lower one of 6.8 for the EU average. This is because, despite recent progress in increasing female employment, Maltese women continue to have the shortest employment careers in the EU (25 years compared with 32.5). Due to insufficient contribution periods, women are often not entitled to their own contributory old-age benefits, and are more likely to depend on their spouses’ pensions or survivors’ benefits, or receive a non-contributory (means-tested) old-age pension.

The authorities plan to put forward several measures in the near future to address the sustainability of the pension system. These measures follow the proposals of the Pension Strategy Group ⁽²⁷⁾. The government is notably seeking to improve the balance between the years spent in work and those in retirement by extending the number of required contribution years from 40 to 41. In effect, this would require individuals to work one more year in order to get the full pension, and otherwise proportionally reduce the generosity of pension benefits. The relevant legislation has yet to be introduced and therefore the potential impact of this measure has not yet been quantified. It remains to be seen how this would work in practice if individuals were required to work beyond the statutory retirement age. To ensure this measure is effective, additional

⁽²⁵⁾ Survey on Income and Living Conditions 2012.

⁽²⁶⁾ Percentage point difference between women and men in the rate of those not covered by any pension (age 65-79).

⁽²⁷⁾ A Strategy for an Adequate and Sustainable Maltese Pension System presented on 17 June 2015.

policy efforts to safeguard the employability of the people affected may be useful. Nevertheless, measures concentrated on improving the activity rates of older workers are not expected to be sufficient to ensure the long-term sustainability of the pension system ⁽²⁸⁾.

The authorities plan to put forward measures to raise the adequacy of pensions. The contributory guaranteed national minimum pension continues to evolve in 2016 with a view to reach 60 % of the median income by 2020 and to extend the coverage. Moreover, the level of the non-contributory means-tested 'old-age' pension is also set to increase. In 2016, further care credits will be introduced, including for periods spent caring for children, which is expected to help improve pension coverage for women who often do not build up sufficient contributions because of breaks in their careers due to care for children. Credits will also be introduced for periods of education, with greater credits awarded for greater levels of educational attainment, in order to encourage human capital formation.

Malta has recently introduced a framework for voluntary third pillar private complementary pensions, which will be further developed and its incentives extended. However, information on the take-up of these measures is not yet available ⁽²⁹⁾. Though such a third pillar could help to promote the build-up of supplementary incomes for the future, it is not yet clear whether these will have wide coverage, especially for lower-income earners who have a reduced propensity to save. No measures have been taken so far to implement second-pillar occupational pensions, which could provide more uniform coverage of the labour force.

Health care system

Health care expenditure is projected to increase significantly in the long term reflecting demographic trends. The Maltese population

enjoys one of the highest life expectancies in Europe, although there are areas where the health care services appear to underperform such as cardio/cerebro mortality and ischaemic heart disease. Public expenditure on health care in 2013 amounted to 5.7 % of GDP, which was below the EU average (6.9 % of GDP). In recent years the public share of total health expenditure followed a stable pattern, with inpatient expenditure absorbing the largest share of public health expenditure. However, public expenditure on health is projected to increase significantly to 7.8 % of GDP in 2060, reaching the projected EU average ⁽³⁰⁾. The projected increase is one of the highest in the EU, reflecting also demographic trends. When taking into account the impact of non-demographic drivers on future spending growth ⁽³¹⁾, health care expenditure is expected to increase by 4.2 percentage points of GDP between 2013 and 2060. In terms of the provision of adequate access to services, the authorities have made progress in reducing waiting times on various procedures and examinations.

The fiscal impact of the healthcare policy initiatives is still uncertain. Following the finalisation and launch in 2014 of the National Health Systems Strategy aimed at achieving sustainable healthcare, a detailed action plan and a cost-benefit analysis were completed in January 2015. A health systems performance assessment was also completed in 2015. The assessment demonstrates the baseline results and interpretation of the selected indicators and will be repeated every two years. It is, however, still uncertain whether the strategy is sufficient to cope with the challenge of future spending growth. In addition, currently there is no comprehensive system to monitor health service outcomes and quality of care.

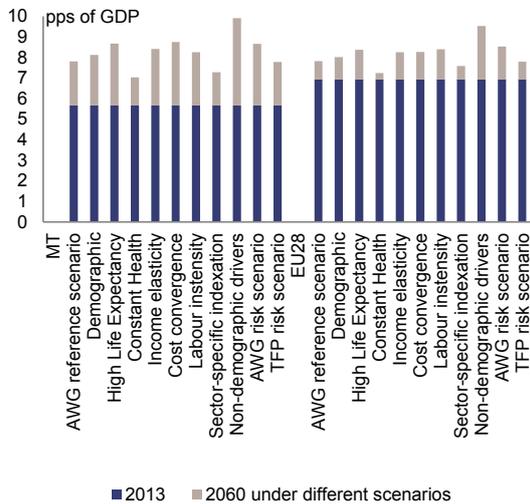
⁽²⁸⁾ According to simulations in the 2015 Ageing Report, linking the retirement age to changes in life expectancy is expected to reduce the projected increase in pension expenditure by more than one third (1.2% of GDP out of 3.2% of GDP). Achieving the same gains by targeting labour-market measures alone would require reaching a 24 pps. increase in the overall employment rate over the baseline.

⁽²⁹⁾ Country Reports 2014 and 2015.

⁽³⁰⁾ 2015 Ageing Report.

⁽³¹⁾ The "non-demographic determinants scenario" highlights the potential impact of non-demographic drivers on health care expenditure, such as innovations in medical technology, institutional settings and individual behaviour. Such upward risk on the future evolution of public expenditure on health care is not captured by the ageing factor. Ignoring the effect of non-demographic drivers on health care expenditure would imply making the assumption that past trends of health care expenditure related to these drivers will disappear in the future.

Graph 2.1.10: **Health care expenditure under different scenarios, 2013-2060**



Source: European Commission, 2015 Ageing report

Long-term care

The demand for long-term care has increased as a result of population ageing as well as the reduced role of extended family and the increased labour market participation of women. Public expenditure on long-term care, which amounted to 1.1 % of GDP in 2013 (against 1.6 % of GDP in the EU), is projected to increase to 2.1 % in 2060⁽³²⁾. Informal care still plays an important role in Maltese society due to the traditional strong role of the family. Most care givers are women aged between 40-59 years⁽³³⁾. Over the last few years, the government expanded residential care places and community-based services including day care centres. The government has set up contracts with private homes for providing long-term care services, but private care institutions are not always affordable for pensioners. A number of initiatives have been undertaken to encourage independent living and the 2016 budget has announced additional measures for at-home care. However, the long-term fiscal impact of these measures has not been estimated. Moreover, preventive strategies that target older people with the aim of preventing frailty and dependency are not fully in place. Enhancing the provision of formal long-term care services, in addition to

improving the availability of care to those who need it, could further complement recent work-life balance measures taken to reduce obstacles to women's participation in the labour market because of care responsibilities.

⁽³²⁾ 2015 Ageing Report.

⁽³³⁾ Social Protection Committee (2014) Long Term Care in Ageing Societies.

2.2. LABOUR MARKET, EDUCATION AND SKILLS AND SOCIAL ASPECTS

Labour market

Notwithstanding the favourable economic and labour market outlook significant challenges remain. The resilience of the economy is reflected in the continuously improving labour-market performance. Both activity rates and employment rates have been increasing, particularly due to the growing female participation and foreign labour force inflow. Nevertheless, the overall activity rate remains low (72.5 % for the group aged 20-64 vs the EU average of 77.2 % in the third quarter of 2015), reflecting one of the lowest female activity rate in the EU. Despite recent progress among younger cohorts, reconciliation of work and family life (especially in the private sector), the design of the benefits system, and the skill level of older women remain key factors inhibiting a further increase in female activity rates. The Maltese population is considerably less qualified than the EU average, but economic growth requires an adequate supply of labour which matches the labour market needs. Thus persons with low or outdated skills are likely to find it more difficult to integrate into the labour market. In addition, the low reported activity rate may be due to a high share of undeclared work.

Labour supply

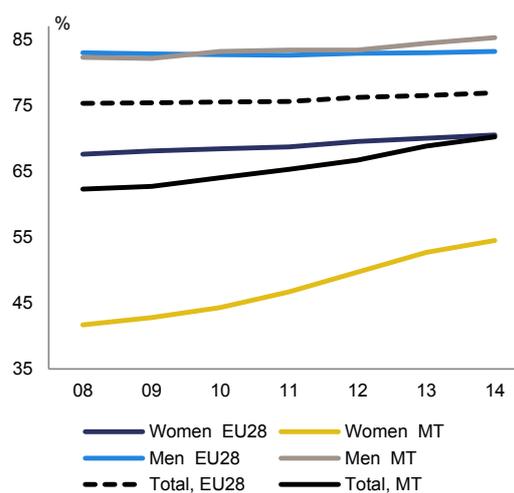
Overall, activity and employment rates increased but are still below the EU average, notably for women and older workers. The activity rate stood at 70.1 % in 2014 for the 20-64 age group; higher rates were observed throughout 2015. Increasing activity rate is associated with a strong increase in employment, with the exception of the elderly cohorts for which rising activity rates are associated with higher exits to unemployment. The employment rate has kept increasing (to 69.2% in the third quarter of 2015), but was still below the EU average, reflecting low employment rates for women (55.4%) and older workers (at 42.1% in the third quarter of 2015). In particular, the employment of older women was still very low, with 24.1% in the third quarter of 2015.

Female activity rates remain substantially lower than the EU average, reflecting a combination of factors i.e. traditional society's support to one and male earner households, insufficient work-life balance arrangements (i.e. flexible working

arrangements in the private sector) linked with care responsibilities, and a lack of necessary skills (i.e. a gap in educational and job acquired skills for older generations), which were referred to extensively in the 2015 country report.

The female activity rate (aged 20-64) has registered by far the highest increase in the EU since 2008. The gap with the EU in terms of activity rate has decreased and reached its narrowest level of about 16 percentage points in 2014 (see Graph 2.2.1). Activity rates among the youngest female cohorts (i.e. 15-24 years and 25-29 years) surpass the EU average and are on the rise, whereas no significant respective increases have been observed at EU level⁽³⁴⁾. Activity rates tend to fall below the EU average as of age 30, and substantially so for women 50-64 years old. Nevertheless, sharp and continuous increases have been noted for the 50+ cohorts too and have contributed to the observed increase in full-time employment as well as part-time employment. The share of women working part time is considerably higher in comparison with men (26.6% vs. 6.3% in the third quarter of 2015, aged 20-64).

Graph 2.2.1: Activity rates in Malta and EU, aged 20-64, by gender



Source: European Commission

Malta is currently implementing a number of making-work-pay measures that seek to

⁽³⁴⁾ The female participation rate in Malta increased by 11.7 percentage points between 2008 and 2014, by far the highest increase registered among EU countries.

increase the participation of women in the labour market. In particular, they include providing free childcare services, in-work benefits, tax rebates, establishing a maternity leave fund and promoting flexible and reduced-hours arrangements. In 2014 Malta introduced free childcare for children 0-3 years old for families where parents are in employment, in education or actively seeking a job, in order to remove barriers for parents, especially women, entering or remaining in employment⁽³⁵⁾. This reform has contributed to a significant increase in the number of children enrolled in childcare centres⁽³⁶⁾. Latest data (2014) shows that 21 % of children up to 3 years old are enrolled in formal childcare, but the take up is still below the Barcelona targets⁽³⁷⁾ for this age group as well as the EU average (27 %). Enrolment in childcare from 3 to mandatory school age is at 92 % (10 percentage points above the EU average and above the Barcelona target of 90 %), largely due to the availability of free pre-primary education for children from age 3. Nevertheless, from a longer-term perspective, efforts to retain older women in the labour market have so far been less successful when compared with developments in other EU economies partially due to their low overall skills levels. The current pension reform (see Section 2.1), in conjunction with additional targeted fiscal measures could, however, contribute to encouraging older women to remain active over the coming years. The package of 'make work pay' measures is being further extended under the 2016 Budget and is expected to contribute further to the rising activity of women.

Despite low levels of youth unemployment and an overall low level of young people neither in employment nor in education or training (NEETs) in Malta, the share of the inactive among people in this group is high. Among those people neither in employment nor in education or training, there is clearly a high proportion of the

low skilled and very young people (below 20 years old), in line with the high number of early school leavers. A breakdown of the group of people neither in employment nor in education or training reveals, inter alia, that the group is very heterogeneous with a high share of inactive. Among those inactive, the share of women is higher than men, with family responsibilities being the key driver of this difference⁽³⁸⁾. The efforts of the authorities under the Youth Guarantee have targeted potential school dropouts but also aimed to activate this population through a combined programme of mentoring and traineeships. The updated Youth Guarantee Implementation Plan puts emphasis on the issue of the quality of offers. However, there is still room for improving the scope of offers. A census carried out on people neither in employment nor in education or training⁽³⁹⁾ is expected to contribute to a better understanding of their needs and help define more tailored measures.

A large share of the unemployed does not receive unemployment benefits or are not registered in the Public Employment Services.

The coverage of unemployment benefits among the short-term unemployed was estimated to be 17 percentage points lower than the EU average at 20 % in 2014. This may reflect the limited duration of entitlements (156 days) as well as relatively strict eligibility conditions (such as in 2015 a qualifying period of around 50 weeks of which at least 20 in the last two years). In addition, net replacement rates are slightly lower than in most EU countries.

The lack of coverage could hamper the effectiveness of policy action, notably efforts to upgrade the skills of the unemployed.

The Employment and Training Corporation (ETC) has been undergoing a reorganisation in order to effectively adjust its capacity to the new challenges, including the challenge of skills matching, job-search assistance, training provision and individualised support. While sanctions (non-

⁽³⁵⁾ Though inactive parents are not eligible to benefit from this scheme, separate targeted support measures for these families exist.

⁽³⁶⁾ According to the national data, between April and December 2014, the number of children attending childcare increased from 1800 to 2917. Peer Review on 'Making work pay for mothers', 18-19 May 2015, Malta.

⁽³⁷⁾ In 2002, the Barcelona European Council set objectives in this area. See http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ec/71025.pdf. The Commission is monitoring the targets also after 2010.

⁽³⁸⁾ Eurofound (2016) – Exploring the diversity of NEETs – Publication Office of the European Union – Luxembourg – forthcoming.

⁽³⁹⁾ The results of the NEETs census carried out by the Maltese authorities confirm that the group is very heterogeneous and that a part considerable proportion of them might have engaged in undeclared work.

payment of benefits) are planned to be introduced for jobseekers who are not willing to participate in such schemes, increasing the coverage of Public Employment Services registration remains a challenge. Only 60% of the long-term unemployed are registered. A scheme to contract out private service provision (with a payment-by-results model) for placements to long-term unemployed⁽⁴⁰⁾ – the Work Programme – is being introduced. The results need to be seen in terms of effectiveness of job search support and in terms of coordination between employment services and social assistance, because a more effective partnership approach and possibly a single point of contact could help improve the services, in particular those provided to the long-term unemployed.

The inflow of foreigners - both EU citizens and third country nationals - taking up jobs in Malta has been increasing. The total registered number of foreign workers reached 22 000 people in 2014. Since 2008, the increase has been nearly three-fold. This flow⁽⁴¹⁾ is driven by the lack of sufficient supply of domestic labour force and skills to meet an increasing demand. About 70 % of the foreign labour force were EU citizens in 2014, pointing to an increased influx since 2008 when they constituted only about half of the foreign labour force. The influx of foreign workers is more pronounced in certain sectors, such as in entertainment & recreation (where they amount to nearly 29 % of the workforce), professional services & administrative support (23 %) and hotels & restaurants (21 %) in 2014⁽⁴²⁾. These have also been among the most dynamic sectors of the economy. At the same time, the labour force in industry is dominated by the Maltese population.

EU residents and third-country nationals are overall well integrated in the labour market. The employment rate of foreigners is at similar

levels as those of nationals with activity rates steadily increasing across age and gender dimensions (see Graph 2.2.2). The available survey data however allows capturing only major performance patterns of those in formal working arrangements. Given signs of informal employment, the Employment and Training Corporation is currently exploring measures to curb irregular and precarious employment in relation to parts of the foreign labour force, notably third-country nationals in low skilled professions.

Education and skills

Skills supply and governance

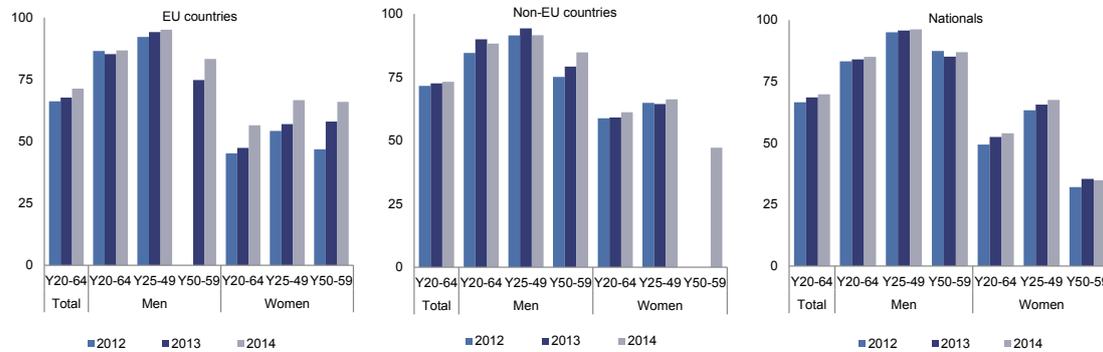
Malta's workforce remains relatively low-skilled, despite recent improvements. In terms of educational attainment Malta has the highest shares of low-skilled workers in the EU for almost all age brackets as 57.8 % of population aged between 25 and 64 has at best a level of education equivalent to lower secondary education ISCED 0-2 (see Graph 2.2.3). In addition, 22.7 % of the same population group has an upper secondary or post-secondary non-tertiary level of education in the EU (ISCED 3-4), while 19.5 % has a tertiary qualification (ISCED 5-8). However, these figures represent an improvement since 2000 when 81.9 % had at best an ISCED 0-2 qualification. The improvement in overall educational level is also partially driven by an increasing share of foreign population, which has a relatively higher share of people with tertiary qualifications and a smaller share of people with lower secondary education.

⁽⁴⁰⁾ Whilst the long-term unemployment rate is low (2.4 percentage points lower than the EU average) and is seen to be declining, it appears that around 4000 out of a total of 5200 registered jobseekers were long-term unemployed in 2015. The very long-term unemployment rate decreased to 1.5% in 2014, 1.6 percentage points below the EU average.

⁽⁴¹⁾ In 2014, about 6 % of total population or close to 25 000 people were foreign citizens. Close to 10 % of total population or about 40 000 thousand people were born in a foreign country.

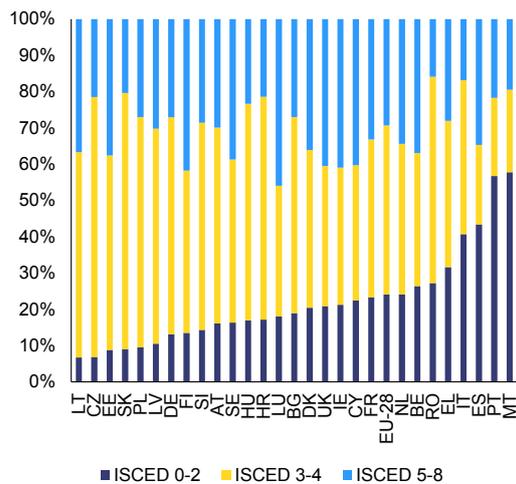
⁽⁴²⁾ Grech, A. (2015). *Understanding the Macroeconomic Impact of Migration in Malta*. Central Bank of Malta Policy note, December 2015.

Graph 2.2.2: Activity rates, % of population group



Nationals, Other EU28; Non-EU28; distinction by country of birth
Source: European Commission

Graph 2.2.3: Distribution of educational attainment among population aged 25-64, 2014



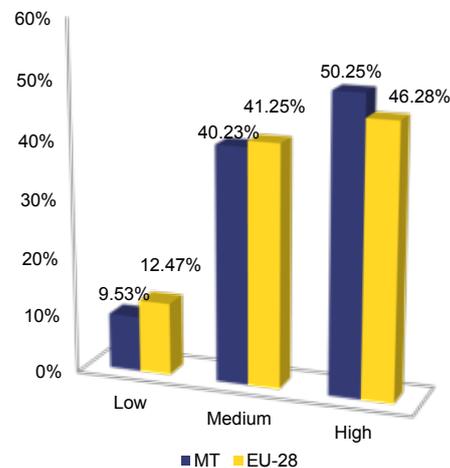
Source: European Commission

Vacancy bottlenecks have emerged and are identified across the entire skills spectrum. The greatest recruitment difficulties appear within the highly-skilled occupations, namely in the health care, financial and ICT sectors. With regards to unskilled occupations, the hospitality and tourism sector appears to be the most affected⁽⁴³⁾. In response, a substantial increase in foreign workers has been recorded. Future employment growth in Malta is forecast to concentrate in business services and the distribution and transport sectors, while, in the primary and manufacturing sectors it

⁽⁴³⁾ European Commission (2013), Mapping and analysing bottleneck vacancies on EU Labour Markets - Bottleneck vacancies in Malta.

would continue to fall. Most job opportunities (see Graph 2.2.4) are projected to require tertiary education, but there will also be significant proportions of job opportunities for medium-level qualifications⁽⁴⁴⁾.

Graph 2.2.4: Forecast job opportunities by level of qualification 2013-2015



Source: European Commission calculations based on Cedefop skills forecast (2015)

The existing instruments for skills forecasting and anticipation at national level are still not sufficient to assess labour market and skills needs. Several institutions produce statistics

⁽⁴⁴⁾ Cedefop (2015), *Country forecasts - Malta skills supply and demand up to 2025*. According to Cedefop's forecast, most job opportunities will be for professionals, service and sales workers in the business and other service sectors.

indicating trends in education and labour market but still do not give a comprehensive outlook. There also remains scope for strengthening governance and partnerships between providers and employers. Among a number of measures, the government plans to set up an agency, 'Education Malta', as part of the strategy to establish Malta as an international educational hub. A Skills Council will be set up in 2016 as a general national policy board to advise the government on adjusting skills policies.

The supply and quality of apprenticeships is still too limited. The minimum share of the on-the-job training in the overall apprenticeship programme is not set in the legislation. Apprenticeship programmes with separate provision of off-the-job and on-the-job learning has often resulted in learning experience disconnected one from another⁽⁴⁵⁾. An adequate supply of apprenticeships is an appropriate way to accelerate the adjustment of skills supply to specific labour market demand, thereby equipping graduates with relevant occupational skills. Malta has made efforts to reform and strengthen the apprenticeship governance⁽⁴⁶⁾ and to create a 'culture' for apprenticeships aimed at attracting large number of both students (including foreign students) and employers. The government acknowledges that there is scope to expand the supply as regards sectors and qualifications levels and to develop their quality and labour market relevance⁽⁴⁷⁾. The authorities intend to develop a harmonised legal framework on apprenticeships which would also define the employment status of apprentices. Further measures are announced in the 2016 budget, i.e. "Job Practice" to offer students a chance to increase their skills portfolio, but the extent to which they will meet the challenge remains to be assessed.

Education

Malta is among the worst EU performers as regards early school leaving and basic skills. After falling by almost 10 percentage points between 2007 and 2013, the early school leaving rate stagnated between 2013 (20.5 %) and 2014

(20.3 %). It is still the second highest in the EU and well above the 2020 national target. Earlier surveys showed that the basic skills attainment⁽⁴⁸⁾ was rather low⁽⁴⁹⁾. This was coupled with the largest gender gap among EU countries, with girls strongly outperforming boys in all fields tested, which highlights the potential that an increased female labour force participation would have for the economy.

Continuous professional development of Maltese teachers has been identified as a key policy area for further progress in early school leaving and basic skill attainment. Recent research underscores the central role of quality teaching in determining student outcomes⁽⁵⁰⁾. Some major changes have been introduced in the education system (i.e. the introduction of mixed ability classes, benchmarking examination and e-learning tools), which necessitates high-quality initial teacher education and continuous professional development so as to promote student-centred learning. A legal notice establishing an institute for continuous professional development of teachers (the Institute for Education) was approved in 2015. The main objectives of the Institute are to: (i) provide teachers with skills to be utilised in their daily professional activities; (ii) act as a hub for educators to meet and share common experiences; (iii) promote educational leadership. The Institute is now becoming operational and is expected to become the main driver in addressing teachers' professional development needs. The government also plans to reform initial teacher education by introducing a two-year Master's degree in Teaching and Learning⁽⁵¹⁾. Lasting commitment

⁽⁴⁵⁾ Cedefop (2015), Apprenticeship Review – Malta.

⁽⁴⁶⁾ See the 2015 Country Report.

⁽⁴⁷⁾ National Commission for Further and Higher Education (2014), Apprenticeship-type schemes and structured work-based learning programmes – Malta.

⁽⁴⁸⁾ Basic skills attainment measures cognitive skills, not qualifications.

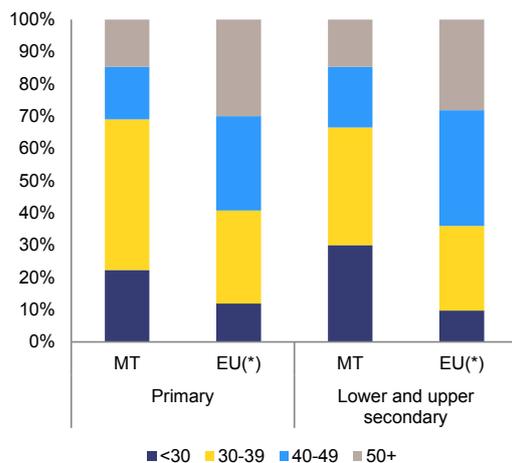
⁽⁴⁹⁾ See the OECD Programme for International Student Assessment (PISA) 2009+ tests (<http://www.oecd.org/pisa/keyfindings/pisa2009keyfindings.htm>). Malta did not participate in PISA 2012) where Malta was among the worst performers in the EU; the 2011 Progress in International Reading Literacy Study (PIRLS); and the Trends in International Mathematics and Science Study (TIMSS) (<http://timssandpirls.bc.edu/>).

⁽⁵⁰⁾ See Chetty R., Friedman J. N. and Rockoff J. (2014), "Measuring the impacts of teachers II: Teacher value-added and student outcomes in adulthood", *American Economic Review*, vol.104, n.9, pp.2633-79; and Hanushek E. A. and Rivkin S. G. (2012), "The distribution of teacher quality and implications for policy", *Annual Review of Economics*, vol.4, pp.131-57.

⁽⁵¹⁾ The current initial teacher training involves a Bachelor of Education degree in Primary Education for primary

and a strategic approach in the coming years will be important, as measures to improve the quality of teaching require a long-term policy perspective. The fact that the teaching force is quite young may facilitate the task (see Graph 2.2.5).

Graph 2.2.5: **Distribution of teachers by age group at different education levels, 2012**



(*) Un-weighted average

Source: European Commission calculations based on Eurostat data

The government has been making efforts to address bottlenecks in the education system by implementing strategic frameworks in the area of early school leaving and literacy. An innovative Alternative Learning Programme in operation since 2014 is providing students who are at risk of leaving education without qualifications, with work experience and literacy, numeracy and information technology skills. Bringing different initiatives under a single National Literacy Agency has been a positive move, as it helps to consolidate the work already done and makes the strategic approach more comprehensive.

Lifelong learning

Participation in lifelong programmes is still limited. Adult participation in lifelong learning is quite low (7.1 % compared to an EU average of

teachers. For secondary level teachers, there are currently two routes: a Bachelor of Education degree over four years or a one-year postgraduate Certificate in Education (still level 6 on the Malta Qualifications Framework) following a Bachelor's degree in the subject area.

10.7 % in 2014). This is due to the very low participation among people with low educational attainment (2.8 %), who still represent the majority of the Maltese adult population⁽⁵²⁾. Malta is making some efforts to increase second chance education to those with no formal secondary education certificate through the Foundation College of the Malta College of Arts, Science and Technology but the course aimed at adults with low skills is still limited. Further upskilling of the adult population with low qualifications could boost Malta's labour force and respond to some of the skills shortages.

The delivery of adult learning courses is fragmented and the capacity of training providers is not sufficient. Evidence points to an overlap in the training offer by public and private providers. ICT, Business and Commerce and courses in Human Resources tend to be the most popular among local students⁽⁵³⁾. Adult career guidance to cater for the lifelong career needs of the population is not yet sufficiently developed within the Public Employment Services, particularly for low skilled and older persons. Although there are relevant policy responses within the Lifelong Learning Strategy, the results need to be seen over a longer perspective.

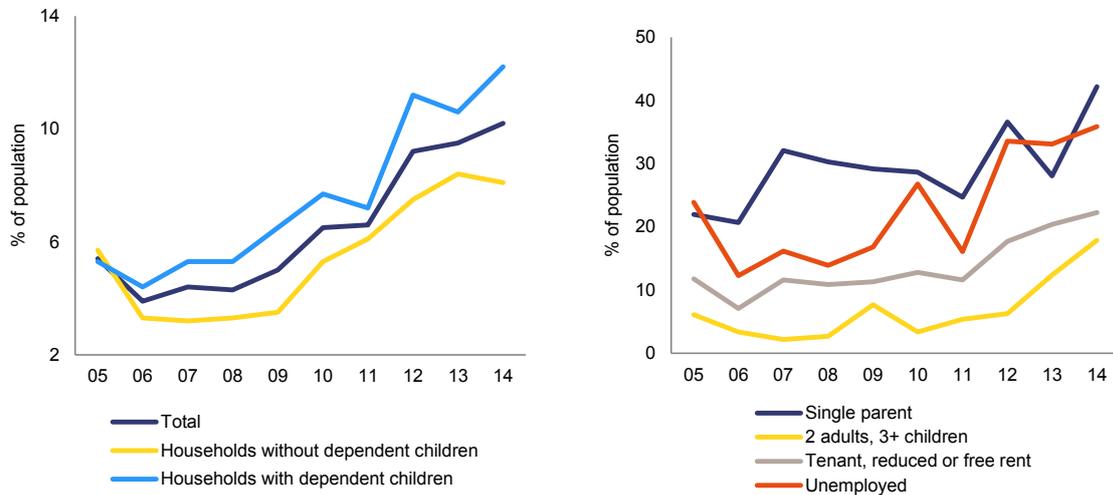
Social Policy

Despite positive economic outcomes, Malta is far from its 2020 poverty target. The number of people at risk of poverty and social exclusion has been increasing over recent years, in particular for children and persons with low education attainment. It reached its peak in 2013 (24 % in the total population) and remained stable in 2014, with 90 000 people still at risk. The relative at-risk-of-poverty rate stood at 15.9 %, increasing marginally compared to 2013. It remains particularly high among children, standing at 24.1 %. The monetary poverty rate of the elderly increased by 2 percentage points in 2014, reaching 16.9 %, which exceeded the EU average (13.8 %). Among the adult population, the unemployed were most at risk of poverty (49.6 %), followed by inactive persons (22.2 %). Although decreasing, the at-risk-of-

⁽⁵²⁾ European Commission (2015), Education and training monitor 2015 – Malta.

⁽⁵³⁾ Ministry for Education and Employment - MCAST (2015), *The National Vocational Education and Training Policy*.

Graph 2.2.6: Material deprivation



Source: European Commission

poverty rate was considerably higher for households renting their accommodation (24.4 %) than those living in their own property (14.3 %).⁽⁵⁴⁾

Material deprivation has been on the rise over the ten years, which and has contributed to poverty and social exclusion outcome. In particular, material deprivation⁵⁵ increased by 0.7 pp to 10.2 % in 2014 (see Graph 2.2.6). This is particularly driven by some vulnerable groups, such as single-parent households, unemployed and households with low-work intensity. This highlights the increased financial difficulties among those with fragile labour market situations, especially at the presence of dependent children. Incomes of households, for which social transfers is an important source, did not increase at the same pace as those of other household types. Neither did they increase in line with changes in living costs, such as housing costs. Severe material deprivation is also strongly related to education attainment. It is markedly higher for persons with only basic educational attainment (18.6 % for persons with ISCED 0-2 level) in comparison to these with

tertiary attainment (3 %). Low skills also substantially contributes to the overall risk of poverty and social exclusion. The latter has been on the rise since 2008 and reached 30.1% for person with ISCED 0-2. Low skills are also important factors in the generational transmission of poverty. As a result, child poverty has particularly increased for children whose parents have only basic educational attainment (from 30.1% in 2008 to 43% in 2014). Work intensity is another important factor in the poverty outcome as the poverty risk is much higher for the single-earner households, pointing out the need to increase labour-market participation of the second earners.

Social protection

Malta has recently undertaken several reforms to step up activating and enabling social policies. These translated into additional budgetary efforts. In particular, expenditure has increased for child day care, education and, to a lesser extent, for primarily active unemployment measures⁽⁵⁶⁾. Malta also has a large provision of in-kind benefits and services including, health care, social housing and childcare. However, as the value of these

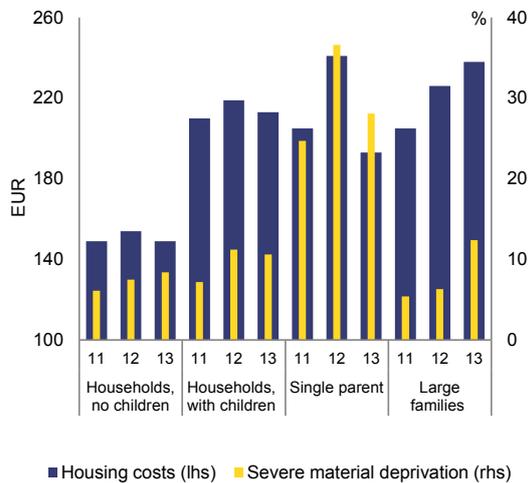
⁽⁵⁴⁾ Malta National Statistical Office data.

⁽⁵⁵⁾ Material deprivation is defined as the inability to afford a selection of items that are considered to be necessary or desirable. Data mentioned here are based on the latest available Eurostat statistics, namely the Survey of Living Conditions (SILC) 2014, which is based on reference data for 2013 and hence do not take account of the impact of measures introduced since then.

⁽⁵⁶⁾ Malta has several types of means-tested minimum income benefits, notably the Social Assistance Benefit as well as Unemployment Assistance, which is a means-tested benefit available to those whose contribution based unemployment benefit has been exhausted.

benefits is not taken into consideration when assessing income, this can potentially affect the cross-country comparability of these values. In order to improve the efficiency and effectiveness of social protection, several measures are being introduced including the gradual tapering of benefits for those entering into employment as well as in-work benefits. These measures are expected to have a positive impact on reducing poverty and improving living standards for low income households, especially those with children. Facilitating beneficiaries' (re)entry into the labour market activation can be expected to have further positive outcomes in terms of poverty alleviation; however, special attention must be paid to the most vulnerable households. Nevertheless, it needs to be assessed whether housing subsidies that are delivered by social assistance in order to alleviate the budget constraints of people in need are sufficient. In the case of social housing, long waiting lists are reported ⁽⁵⁷⁾ and the reassessment system on whether the beneficiary still qualifies to receive it is not fully in place.

Graph 2.2.7: Average monthly housing costs and severe material deprivation



Source: European Commission calculations on National Statistics Office Malta data

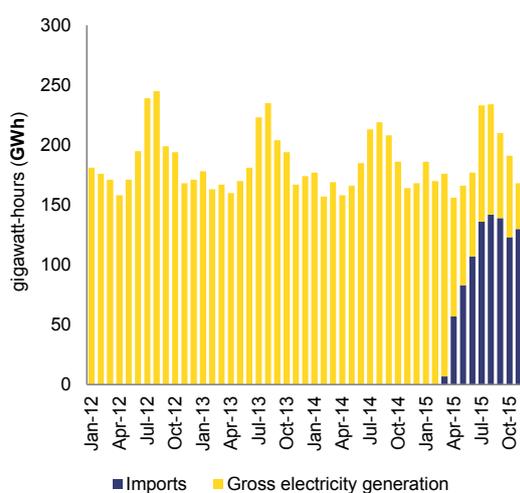
⁽⁵⁷⁾ According to the unofficial information, about 3000 applications still need to be processed. There is a priority list of about 500 people (such as those with a disability, domestic violence victims, former institutionalised people, and the homeless).

2.3. BUSINESS ENVIRONMENT AND COMPETITIVENESS

Energy

Ending the energy network’s isolation and the near-full reliance on oil imports has been a priority for the Maltese authorities. Establishing links to mainland Europe’s energy systems brings the benefits of increased energy security and providing access to potentially cheaper energy. The electricity interconnection with Italy was inaugurated in April 2015 and brought Malta’s level of interconnection from 0 % to approximately 35 % of the installed generation capacities. Available data indicates that imports through the interconnector already play an important role in the electricity supply in Malta (see Graph 2.3.1). At the same time, ongoing investments in a new gas-fired power plant, the conversion of an existing plant to run on natural gas and a liquefied natural gas terminal aim to further reduce the reliance on oil imports as a primary energy source and decrease pollution from electricity generation. Further in the same vein, the connection to the European Gas Network (gas pipeline with Italy at Gela and Floating LNG Storage and Regasification Unit/FSRU) received the status of Project of Common Interest in 2013 and has been included in the second list of Projects of Common Interest, adopted on 18 November 2015.

Graph 2.3.1: Electricity supply by source



Source: European Commission

Ongoing efforts need to be sustained in the coming years in order to meet the national 2020 target for renewable energy. The promotion of

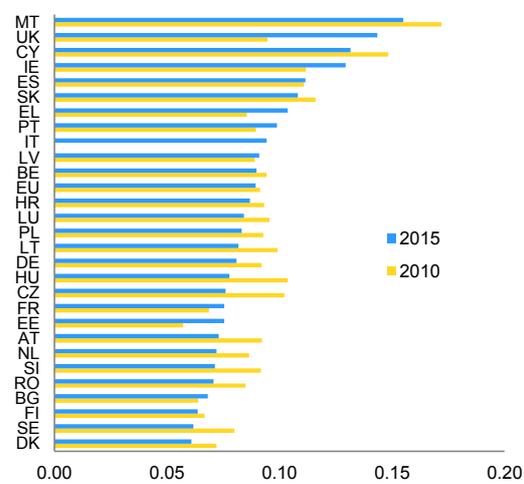
renewable energy is one of the few available options to exploit domestic energy sources. After focusing on wind energy projects, which were ultimately not implemented, emphasis has been put on the promotion of solar energy. Furthermore, heat pumps are used to cover heat demand in winter and alternative fuels are used in transport. Starting from a very low level, Malta thus succeeded in increasing its renewable energy share to 4.7 % in 2014. This is in line with the indicative trajectory towards the 2020 target but significant further deployment is needed to achieve the target. Analysis by the authorities has shown that the domestic potential for renewable energy is limited⁽⁵⁸⁾. Therefore, the use of cooperation mechanisms with other Member States (such as importing ‘green power’ through the interconnector) could be considered to help the country achieve its renewable energy target.

Despite the progress achieved, additional efforts would be needed to reach the energy efficiency target. In 2014 the authorities notified a new indicative 2020 target for energy consumption of 0.726 million tonnes of oil equivalent (Mtoe) expressed in terms of primary consumption. This target was more ambitious than the previous one. However, in terms of final energy consumption, the new target of 0.547 Mtoe was less ambitious than the previous one. Malta has made considerable efforts to improve its energy efficiency and to diversify its energy mix. Primary energy intensity has decreased since 2005 at a faster pace than for the EU as a whole, and is now lower than the EU average. Indeed, energy consumption in industry in terms of its ratio to the sector’s gross value added is lower than for the EU. However, this also reflects the absence of very energy-intensive, large industrial activities. At the same time, electricity tariffs for medium-sized industries remain the highest in the EU, despite the reduction introduced in 2015 (see Graph 2.3.2). High tariffs for medium-sized companies reflect a lack of competition on the retail markets. Moreover, regulated prices are set at levels that create electricity tariff deficits, resulting in the accumulation of debt in the state power company. Furthermore, the final energy consumption in the transport sector and the energy consumption per

⁽⁵⁸⁾ Preliminary technical and economic assessment of Malta’s effective renewable energy potential post 2020, Ministry for Energy and Health, August 2015.

capita increased on average in the period 2005-2013. These trends increase the economy's fuel imports bill and hamper its competitiveness. Current efforts would need to be stepped up in order to reach the 2020 target expressed in final energy consumption. This would help consumers to exploit the full benefits of energy efficiency and to lower their energy bills.

Graph 2.3.2: Electricity tariffs for medium-sized industries



Source: European Commission

Transport

Compared to the EU average, peak hour congestion constitutes a major problem. The authorities have not made sufficient progress in addressing this issue. The costs of congestion are significant (EU average estimated at 1-2 % of GDP, with indications that Malta is at the higher end), which at the same time causes high levels of air pollution, a major cause of environmental and health disbenefits (with consequences in term of worker sickness and increased healthcare costs, in addition to creating impacts on agriculture). Despite the severity of the problem, several issues remain to be further addressed. These include inducing better use of available infrastructure, addressing inefficiencies in public transport and developing of alternative modes of transport.

EU funded investments in the transport sector could provide a strong incentive. The transport and logistical infrastructure is the most unattractive element of the Maltese environment for foreign

investors⁽⁵⁹⁾. Tackling this element is crucial, as investors indicate it to be among the most important factors in choosing an investment destination⁽⁶⁰⁾. The development of the National Transport Strategy is an *ex ante* condition to accessing EU structural and innovation funds (2014-2020) in order to co-fund transport investments. Nevertheless, while the deadline for completion was set at September 2015, it is now not expected before June 2016.

Environment

The complete dependence on imported fossil fuel for transport has a negative impact on the environment. Concrete measures to reduce this dependency are too limited in scale and scope. This is particularly pressing in road transport, considering the high modal share of private cars, the aged car fleet, and the fact that transport is the largest greenhouse-gas emitting sector outside the Emissions Trading System. The authorities have yet to tackle those issues.

The potential of achieving a circular economy and improving resource efficiency remains to be tapped. In terms of resource productivity, Malta is around 30 % below the EU average (with 1.34 EUR/kg compared with an EU average of 1.95 in 2014)⁽⁶¹⁾. Moreover, Malta ranks only 17th within the EU (2013) on the eco-innovation scoreboard⁽⁶²⁾. While revenues from environmental taxes are relatively high (2.9 % of GDP compared to 2.5 % of GDP for the EU in 2014), energy taxes are comparatively low. Certain characteristics of the tax system hinder its potential fiscal and environmental impact, such as the subsidies on company cars and the lack of indexation for environmental taxes.

Public administration and business environment

Despite registering some progress, there is potential to further improve the efficiency of public administration. According to the World

⁽⁵⁹⁾ See EY's Attractiveness Survey: Malta 2015.

⁽⁶⁰⁾ Idem.

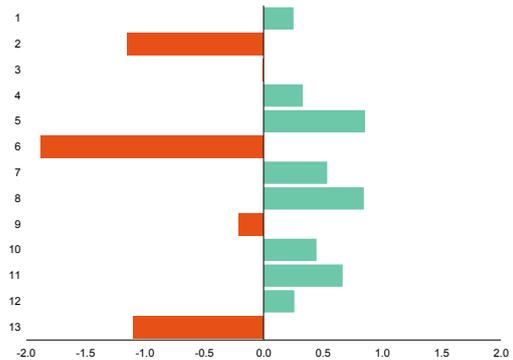
⁽⁶¹⁾ Source: <http://ec.europa.eu/eurostat/web/europe-2020-indicators/resource-efficient-europe>

⁽⁶²⁾ Source: http://www.eco-innovation.eu/images/stories/Reports/EIO_Country_Brief_2013_Malta.pdf

Bank 2015 Worldwide Governance Indicators, Malta scores below EU average on the government effectiveness indicator, which captures the perceptions of the quality of public services, the capacity of the civil service and its independence from political pressures, and the quality of policy formulation. Data reveal that while the governance score for government effectiveness had increased from 0.83 in 2004 to 1.17 in 2009, it has worsened to 1.03 in 2014⁽⁶³⁾. The EU average scores were 1.23 (2004), 1.14 (2009) and 1.13 (2014).

Overall, Malta presents a mixed record regarding the environment for business. The World Bank's 2016 Doing Business survey ranks Malta 80 out of 189 economies in the ease of doing business. A detailed look in the different areas of the survey shows a mixed record: relative strengths in terms of paying taxes, protecting minority investors and trading across borders are offset by problems in starting a business in particular (see Graph 2.3.4). According to the 2015 Small Business Act Fact Sheet⁽⁶⁴⁾, time to start a business, the cost of enforcing contracts and the licences and permit systems score well below the EU average and remain major obstacles to doing business, especially for SMEs (see Graph 2.3.3).

Graph 2.3.3: **Responsiveness of the public administration to the needs of SMEs (standard deviations, EU average = 0)**



Data bars pointing right show better performance than the EU average; data bars pointing left show weaker performance.

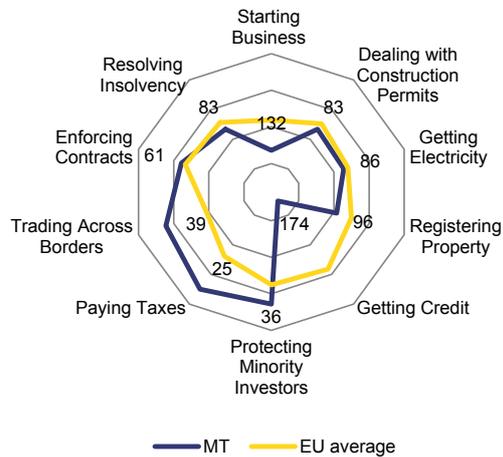
- 1 – Burden
- 2 – Licenses and permit systems
- 3 – SMEs interacting online with public authorities
- 4 – Complex administrative procedures are a problem
- 5 – Fast changing legislation and policies is a problem
- 6 – Cost of enforcing contracts
- 7 – Time it takes to pay taxes
- 8 – Number of tax payments
- 9 – Cost required to transfer property
- 10 – Time required to transfer property
- 11 – Paid-in minimum capital
- 12 – Cost of starting a business
- 13 – Time to start a business

Source: 2015 SBA Fact Sheet Malta

⁽⁶³⁾ The governance score denotes the estimate of governance measured on a scale from approximately -2.5 to 2.5. Higher values correspond to better governance. The percentile ranks of Malta among all 215 countries covered by the Worldwide Governance Indicators are 77.07 (2004), 84.21 (2009) and 80.77 (2014) respectively.

⁽⁶⁴⁾ 2015 SBA Fact Sheet for Malta available at: http://ec.europa.eu/growth/smes/business-friendly-environment/performance-review/files/countries-sheets/2015/malta_en.pdf

Graph 2.3.4: Malta ranking in Doing Business report



Numbers show Malta's ranking out of 189 participants in each category

Source: World Bank 2016 Doing Business report

Policy action since 2008 has been in the right direction. Start-up times have been reduced by two days and costs have been cut. In the 2016 budget, the government committed to further simplifications. As regards the cost of enforcing contracts and the licencing and permit system, in 2014 the Malta Environment and Planning Authority launched a collection of measures aimed at improving service delivery to the private sector and addressing issues such as excessive costs, inefficiency, permit time and unnecessary bureaucracy. The government has recently appointed a group of professionals to address the shortcomings in the legislation on insolvency and bankruptcy. In an effort to reduce administrative red tape in Malta, the Commissioner for simplification has carried out a number of initiatives since March 2014. These include the organisation of stakeholder meetings so as to identify specific burden-reduction measures, a recent 'Repeal Day' on which the abolishment of a number of laws and regulations was announced, and the adoption of the 'one in — one out' principle in legislation. Around 200 pieces of legislation have been identified as possible target for simplification. Nevertheless, there remains significant room for improvement. In the 2015-2016 World Economic Forum's Global Competitiveness Report, the inefficiency of government administration is still identified as the

most problematic factor for doing business in Malta ⁽⁶⁵⁾.

Malta has made good progress in implementing the Small Business Act (SBA). It now features a balanced SBA profile ⁽⁶⁶⁾. With the 2011 national SBA plan and the SBA Implementation Unit, it has created instruments that go a long way to ensuring a systematic application of the policy agenda. However, implementation frequently took longer than previously announced. As a result there are still a number of measures which await implementation.

SMEs' access to finance

SMEs appear to benefit from a better financing environment than many EU peers. SMEs rely heavily on debt financing, including bank lending, credit lines, overdrafts and trade credit ⁽⁶⁷⁾. In particular, bank lending remained the most important source of external financing for 74 % of Maltese SMEs in 2015. The share of SMEs that applied for a bank loan and received the whole amount has increased and is higher than the EU average. On the other hand, access to equity finance is still limited: only 4 % of SMEs consider it as their preferred option. Maltese SMEs report significantly higher confidence than EU peers in talking about financing with both banks and equity investors and that they will obtain the desired funding.

Nevertheless, some persistent problems suggest that the environment for start-ups is a concern. More than one fourth of Maltese SMEs consider that the high interest rates or price are the most important limiting factor to obtaining external financing, followed by insufficient availability of collateral or guarantee. A recent survey ⁽⁶⁸⁾ concluded that there is scope for simplifying and reducing bank charges relating to loans. In particular, there is a need for a review of charges for incoming and outgoing bank payments. Moreover, whereas there appears to be adequate

⁽⁶⁵⁾ World Economic Forum. Global Competitiveness Report 2015-2016, page 252.

⁽⁶⁶⁾ Idem.

⁽⁶⁷⁾ 2015 Survey on the Access to Finance of Enterprises (SAFE) conducted by the Commission and the European Central Bank.

⁽⁶⁸⁾ The survey was conducted by Malta Financial Services Authority and the Malta Competition and Consumer Affairs Authority.

competition with respect of home loans, there is not enough in business loans. Few alternatives to traditional forms of financing are available for SMEs. Maltese enterprises are among the highest users of retained earnings and sale of assets as a source of internal equity financing. These features support a landscape of more well-established enterprises and fewer start-ups. At the same time the availability of alternatives, such as financial leasing, factoring and external equity financing, is not sufficient.

A number of financial instruments have been made available to help enterprises cover investments and operational expenses. These instruments, namely JEREMIE ⁽⁶⁹⁾, MicroInvest, MicroCredit, and European Regional Development Fund start-up grant schemes, provide SMEs with tax credits, grants or financial guarantees and are financed through a combination of local and EU funds. In particular, the JEREMIE ⁽⁷⁰⁾ scheme and the MicroGuarantee Scheme are widely considered as positive experiences. However, stakeholder feedback suggests that loans to SMEs in Malta still have a heavy interest mark-up. This seems to be the result of a still limited level of competition among financial intermediaries. There are also reports by stakeholders of continuing bureaucratic obstacles in applying for support. This instrument has been utilised to the benefit of most sectors of the Maltese economy: until 2014, the number of SMEs financed through JEREMIE amounted to 650. Major commercial banks have offered other tailor-made support schemes for SMEs.

Progress is underway to establish a Development Bank in Malta. A key element of the process will be the compatibility of the proposed draft Malta Development Bank Act with EU State aid rules. Moreover, it will be important to ensure that the new institution has sufficient risk management capacities to protect it from mopping up low-quality projects.

⁽⁶⁹⁾ Joint European Resources for Micro to Medium Enterprises.

⁽⁷⁰⁾ Under JEREMIE, the First Loss Portfolio Guarantee instrument helped SMEs to get a lower interest rate that they would have otherwise been subjected to, together with a reduced need for collateral. The programme has been an effective instrument in aiding access to finance by enterprise.

The authorities have undertaken initiatives to address the insufficient availability of alternative sources of finance. Since the beginning of 2014, the government has put forward policies geared to providing equity and venture capital, which had been identified as a bottleneck in recent years. However, these measures do not appear sufficient to bring about a lasting solution, concentrating on tax credits and limited amounts for seed funding. Some additional structural measures that are expected to come into force in the near future include the setting up of a central credit register and the launching by the Malta Stock Exchange of a platform designed specifically to help SMEs raise funds through the capital market. The central credit register aims to enhance transparency and to facilitate SMEs' access to funding from banks. It is planned that the register will go live in early 2016, conditional to the legislative proposals passing through Parliament and the success of the pilot run. The availability of alternative sources of finance such as crowdfunding, venture capital and business angels is still not developed in Malta.

Overall, some progress could be reported in the access to finance situation for SMEs in Malta. Together with the planned Malta Development Bank, the described start-up capita initiatives are useful measures in addressing Malta's issues in this area. It is important that they are swiftly implemented and flanked by other measures aimed at facilitating the start-up of businesses.

Services and professions

Malta experiences subdued market dynamics and low competition in important business services sectors. Market entry rates and churn rates stand significantly below EU averages. Removing barriers would create new opportunities for service providers to enter the market. Malta is among the Member States with the highest regulatory barriers in services. Particular problems in business services stem from restrictive authorisation requirements, compulsory chamber membership requirements, severe restrictions on legal form, shareholding and multidisciplinary activities; insurance requirements; and tariff restrictions. In spite of some progress towards eliminating discriminatory pricing in the transport, telecom and utilities sectors, some discriminatory practices in pricing and/or different treatment

towards non-Maltese nationals are still reported. In that respect, the Maltese authorities pledged to approve an Administrative Guide on non-discrimination of service recipients, drafted by the Competition Authority. A draft was presented to the Commission at the beginning 2015, but no developments have been reported since.

Research and innovation

Several structural challenges continue to hamper the country's growth potential as a very small open economy. Malta made some progress over the period 2007-2014 in terms of research and development (R&D) intensity, which increased from 0.55 % GDP in 2007 to 0.85 % of GDP in 2014, although the level remains rather low in EU terms and is still far away from its national target (2 %). Several bottlenecks continue to hamper the country's knowledge-driven growth potential, such as meagre public spending (0.34 % GDP in 2014 versus an EU average of 0.72 %), a low level of scientific excellence (linked to a lack of critical mass in specific research areas), a weak human resources base in sciences and technology, and the declining innovation performance of the private sector⁽⁷¹⁾, with the strongest relative weakness in patent applications. Declining performance is also observed for licence and patent revenues from abroad and the sales share of new innovations. Still, performance on some indicators has improved, in particular in non-R&D innovation expenditures; community designs and trademarks; linkages and entrepreneurship; and open, excellent and attractive research systems. In addition, business enterprise expenditure on research and development, at 0.51 % of GDP, constitutes more than half of Malta's R&D intensity. Finally, establishing adequate framework conditions for firms remains a key challenge for competitiveness as shown by the performance in the overall ease of doing business indicator⁽⁷²⁾, where Malta is ranked in the lowest EU performers with Greece and Luxembourg. Moreover, Malta remains in the 'moderate innovator' group⁽⁷³⁾, although its ranking has improved (from 22nd in 2014 to 18th in 2015) and overall innovation performance has recovered strongly, reaching

71 % of the EU average and up from 57 % in 2012.

Several instruments are in place to stimulate research and development and innovation projects. The National R&I Strategy for 2020 (adopted in February 2014) set the goal to stimulate knowledge-driven growth. This strategy complements the Smart Specialisation Strategy, which will help to guide investments to be made through the European Structural and Investment Funds, and the Innovation Strategy for Smart Specialisation (adopted in 2014) which contains tailor-made measures (i.e. actions, tools, platforms, incentives) in seven selected areas in order to develop the research and innovation ecosystem⁽⁷⁴⁾. Furthermore, Malta offers R&D tax incentives, targeting industrial projects aimed at developing innovative products and solutions, which have become an important tool for supporting private R&D. Evidence from a recent study⁽⁷⁵⁾ suggests that there is some scope for Malta to reduce the fragmentation and overlap of instruments. In addition, the evaluation of the impact of these measures could be usefully enhanced. Intellectual Property Right incentives in the form of tax exemptions on income from patents are also available⁽⁷⁶⁾ and, in the 2016 budget the government announced a tax credit to facilitate research and innovation for enterprises. A new scheme was launched in 2015 to improve the quality of the science base. Furthermore, several infrastructural projects are expected to have a positive impact on the science base as well as to support research and development in health (pharmaceuticals) and information and communication technologies. A number of new initiatives to improve access to finance by leveraging private sector investments in start-ups and SMEs were introduced in 2015. These aim to complement several existing, albeit not very successful, ones. Finally, in March 2015, the

⁽⁷¹⁾ Innovation Union Scoreboard 2015.

⁽⁷²⁾ Doing Business Report, World Bank, June 2015.

⁽⁷³⁾ Innovation Union Scoreboard 2015.

⁽⁷⁴⁾ Notably, tourism, maritime services, aviation & aero-space, healthy living & active ageing & e-health, resource-efficient buildings, high value-added manufacturing and aquaculture.

⁽⁷⁵⁾ CPB (2014) [A Study on R&D Tax Incentives, Taxation Papers, Working Paper No 52 - 2014 European Commission](#)

⁽⁷⁶⁾ Although there is evidence that such measures may prompt or facilitate aggressive tax planning in the absence of sufficient safeguards (see Ramboll Management Consulting and Corit Advisory (2016), Study on Structures of Aggressive Tax Planning and Indicators, European Commission Taxation Paper n°61).

Operational Programme I (2014-2020) under European Regional Development Fund and the Operational Programme II (2014-2015) under European Social Fund, which contains relevant measures to support research and innovation, were officially launched.

Justice system

The efficiency of the justice system continues to demonstrate shortcomings, but the implementation of the ongoing judicial reforms programme has prompted some positive trends.

While the time needed to resolve civil, commercial and administrative cases in first instance courts was the highest in the EU in 2013, there was notable improvement in 2014. The rate of resolving administrative cases also improved substantially in 2014, although there remains room for improvement as this rate was still the lowest in the EU in 2013 ⁽⁷⁷⁾. The tools in place to evaluate the judicial system are limited, since there is no regular evaluation system or performance and quality indicators of courts' activities. Targeted measures related to the reform of the judicial system started to be implemented in 2014. Their aim was to substantially improve the quality and the efficiency of the judicial system. Regarding the quality of the judicial system, a number of new technological and procedural systems have been introduced to reduce bureaucracy and delays in the civil courts, namely the extensive use of mobile telephone applications, e-filing and the online exchange of information. The recent appointments to the judiciary made by the government have also substantially increased female representation in the judiciary (with the representation increasing to 43 %). With respect to efficiency, in January 2016, Parliament approved a bill which implements another set of proposals from the Justice Reform Commission report focusing on simplifying civil procedures.

The judicial system still faces challenges in relation to insolvency procedures. It takes 3 years to resolve insolvency cases in Malta, compared to an EU average of 2.01 years. The government has recently appointed a group of professionals to address the shortcomings in Malta's legislation on insolvency and bankruptcy. The group is currently chaired by the Governor of

the Central Bank and is meeting regularly. It explores ways of streamlining the justice process. This includes contributing to the updating of insolvency legislation and to providing mechanisms to expedite insolvency and allow parties to receive a second chance. These are still at drafting stage with more detailed information is expected later this year. As regards training, Malta is one of the few Member States where there is currently no compulsory pre-service or in-service training for judges. Alternative dispute-resolution methods and mediation are still under-used in Malta. However, efforts to promote mediation by the Mediation Centre and the University of Malta, including by creating a Master's of Arts in Mediation which started in October 2015, are expected to produce positive effects.

⁽⁷⁷⁾ EU Justice Scoreboard 2016

Table 2.3.1: Key research and innovation intensity indicators

Malta	2014	Compound annual growth 2007-2014 ⁽¹⁾	EU average ⁽²⁾	Rank within EU
R&D Intensity (% of GDP)	0.85	6.4	2.03	22
Public expenditure on R&D (GOVERD + HERD) as % of GDP	0.38 ⁽¹⁰⁾	9.1	0.72	25
Business enterprise expenditure on R&D, % of GDP	0.51	4.9	1.30	20
Scientific publications within the top 10% most cited scientific publications worldwide as % of total scientific publications of the country	:	-0.1 ⁽³⁾	11.41	20
Share of population aged 30-34 who have successfully completed tertiary education (%)	26.0	2.8	37.9	26
Public-private scientific co-publications per million population	:	23.9	50.3	24
Public expenditure on R&D financed by business enterprise (national) as % of GDP	:	94.9	0.051	27
New graduates in science and engineering per thousand population aged 25-34	14.8 ⁽¹⁰⁾	12.6	16.3	17
Barriers to entrepreneurship	2.18 ⁽¹⁰⁾	:	1.69 ⁽⁴⁾	28 ⁽⁵⁾
Starting a business	75.67 ⁽¹⁰⁾	0.0	89.0 ⁽⁴⁾	28
Business enterprise expenditure on R&D (BERD) financed by the public sector (national and abroad) as % of GDP	:	134.6	0.099	23
Value added in high-tech manufacturing as % of total value added ⁽⁶⁾	2.0	-12.1	1.75 ⁽⁷⁾	3 ⁽⁷⁾
Value added in high-tech knowledge-intensive services as % of total value added	5.47	2.4	5.05 ⁽⁷⁾	6 ⁽⁷⁾
Share of employment in high-growth enterprises	:	-7.2	9.14 ⁽⁸⁾	15 ⁽⁸⁾
Innovative high-growth enterprises: DYN	16.94 ⁽¹⁰⁾	5.7	18.80	7

(1) Compound annual growth refers to growth between the earliest available year and the latest available year for which compatible data are available over the period 2007-14

(2) EU average for the latest available year.

(3) Compound annual growth refers to the period 2005-2010.

(4) EU average is the unweighted average of the Member States' scores.

(5) The values for this indicator were ranked from lowest to highest.

(6) MT: High-tech value added for MT was derived by DG RTD.

(7) Value added: EU does not include HR. HR was not included in the EU ranking.

(8) EU does not include EL. EL was not included in the EU ranking.

(9) Values in italics are estimated or provisional.

(10) Values refer to 2013 data

Source: European Commission

ANNEX A

Overview Table

Commitments

Summary assessment⁷⁸

2015 Country-specific recommendations	
<p>CSR 1:</p> <p>Following correction of the excessive deficit, achieve a fiscal adjustment of 0.6 % of GDP towards the medium-term budgetary objective in 2015 and 2016.</p>	<p>CSRs related to compliance with the Stability and Growth Pact will be assessed in spring once the final data will be available.</p>
<p>CSR 2:</p> <p>Take measures to improve basic skills and further reduce early school-leaving by promoting the continuous professional development of teachers.</p>	<p>Malta has made some progress in addressing CSR 2:</p> <p>Malta has made some progress in promoting the continuous professional development of teachers.</p> <p>An institute for continuous professional development of teachers was set up.</p>
<p>CSR 3:</p> <p>To ensure the long-term sustainability of public finances, continue the ongoing pension reform, such as by accelerating the already enacted increase in the statutory retirement age and by consecutively linking it to changes in life expectancy.</p>	<p>Malta has made limited progress in addressing CSR 3:</p> <p>Malta has made limited progress on the pensions system reform. Some new measures aiming to address both sustainability and adequacy concerns were proposed by the government in the 2016 Budget, following recommendations made by a Pension Strategy Group; however they haven't yet been reflected in the legislation.</p>
<p>CSR 4:</p> <p>Improve small and micro-enterprises' access to finance, in particular through non-bank instruments.</p>	<p>Malta has made some progress in addressing CSR 4:</p> <p>Malta has made some progress to improve SMEs and micro-enterprises' access to finance. Measures to support SMEs access to non-bank financing should be further encouraged, including through more co-investment schemes with venture capital and business angels, by encouraging market uptake of crowdfunding and by taking advantage of the</p>

⁷⁸ The following categories are used to assess progress in implementing the 2015 CSRs:

No progress: The Member State (MS) has neither announced nor adopted measures to address the CSR. This category also applies if the MS has commissioned a study group to evaluate possible measures.

Limited progress: The MS has announced some measures to address the CSR, but these appear insufficient and/or their adoption/implementation is at risk.

Some progress: The MS has announced or adopted measures to address the CSR. These are promising, but not all of them have been implemented and it is not certain that all will be.

Substantial progress: The MS has adopted measures, most of which have been implemented. They go a long way towards addressing the CSR.

Fully implemented: The MS has adopted and implemented measures that address the CSR appropriately

	opportunities offered by EU funding programmes.
Europe 2020 (national targets and progress)	
Policy field target	Progress achieved
National employment target (70 %)	With the employment rate growing from 66.4 % in 2014 to 67.8 % in the first three quarters of 2015, Malta is progressing towards the new national target.
National target for expenditure on research & development (2 % of GDP)	Malta's R&D intensity in 2014 stands at 0.85 % of GDP, which remains very low in comparison to the EU average of 2.03 %, and is still far away from the 2 % of GDP national target.
National target for reducing greenhouse-gas emissions falling under sectors outside the scope of the Emissions Trading Scheme (+5 % compared to 2005 level)	According to the latest national projections, and taking into account existing measures, it is expected that the target will be achieved. The level of emissions in 2020 is projected to decrease by 16% compared to the 2005 level (margin of 11 percentage points).
Renewable energy target (10%)	<p>Malta's renewable energy share has recently increased, reaching 4.7 % in 2014, above the indicative trajectory towards the 2020 target. However, significant renewables deployment is needed in view of the steep trajectory towards 2020. Use of cooperation mechanisms with other Member States could be considered to facilitate the achievement of the renewable energy target.</p> <p>With a 4.7 % share of renewable energy in transport in 2014, Malta has improved its performance but is still less than halfway in reaching the 10% renewable energy target in transport.</p>
National energy efficiency target (reducing primary energy consumption to 0.726 Mtoe and final consumption to 0.547 Mtoe)	The target for 2020 expressed in final energy consumption was increased from 0.493 Mtoe to 0.547 Mtoe due to economic growth, which means that the target became less ambitious. Malta would need to increase its current efforts to reach the 2020 target expressed in final energy consumption.
National early-school-leaving target (10 %)	22.7 % in 2011, 21.1 % in 2012, 20.8 % in 2013, 20.3 % in 2014.
National target for tertiary-education attainment	23.4 % in 2011, 24.9 % in 2012, 26 % in 2013,

(33 %)	26.5 % in 2014.
National poverty target (lifting 6,560 individuals from the risk of poverty or social exclusion)	Malta committed to reduce by 6,560 the number of people at risk of poverty or social exclusion. The number in 2014 stood at the same level as in 2013 – 99,000. There has been no progress towards achieving the target.

ANNEX B

MIP scoreboard

Table B.1: MIP scoreboard - Malta

			Thresholds	2009	2010	2011	2012	2013	2014
External imbalances and competitiveness	Current account balance, (% of GDP)	3 year average	-4%/6%	-3.1	-4.1	-4.5	-1.9	0.9	2.6
	Net international investment position (% of GDP)		-35%	12.6	12.1	7.9	21.3	20.8	39.5
	Real effective exchange rate - 42 trading partners, HICP deflator	3 years % change	±5% & ±11%	5.8	-0.7	-5.0	-7.6	-1.3	0.0
	Export market share - % of world exports	5 years % change	-6%	46.1	38.5	22.3	12.8	-2.2	-18.2
	Nominal unit labour cost index (2010=100)	3 years % change	9% & 12%	11.2	9.2	10.2	8.2	10.1	7.0
Internal imbalances	Deflated house prices (% y-o-y change)		6%	-6.2	-1.0	-3.7	0.5	-1.5	2.6
	Private sector credit flow as % of GDP, consolidated		14%	13.6	5.6	5.1	2.6	3.6	7.8
	Private sector debt as % of GDP, consolidated		133%	167.5	161.9	158.4	154.4	148.3	146.4
	General government sector debt as % of GDP		60%	67.8	67.6	69.8	67.6	69.6	68.3
	Unemployment rate	3 year average	10%	6.5	6.6	6.7	6.5	6.4	6.2
	Total financial sector liabilities (% y-o-y change)		16.5%	4.4	12.4	10.9	6.4	1.9	5.8
New employment indicators	Activity rate - % of total population aged 15-64 (3 years change in p.p)		-0.2%	1.5	1.6	2.7	3.7	4.6	4.5
	Long-term unemployment rate - % of active population aged 15-74 (3 years change in p.p)		0.5%	0.2	0.4	0.6	0.2	-0.2	-0.4
	Youth unemployment rate - % of active population aged 15-24 (3 years change in p.p)		2%	-1.0	-0.3	1.6	-0.4	-0.2	-1.5

Note: Figures highlighted are those falling outside the threshold established in the European Commission's Alert Mechanism Report. For REER and ULC, the first threshold applies to euro area Member States.

Source: European Commission

ANNEX C

Standard Tables

Table C.1: **Financial market indicators**

	2010	2011	2012	2013	2014	2015
Total assets of the banking sector (% of GDP)	760.0	744.9	742.9	668.1	664.0	559.0
Share of assets of the five largest banks (% of total assets)	71.3	72.0	74.4	76.5	81.5	-
Foreign ownership of banking system (% of total assets)	34.9	33.1	30.9	24.3	17.6	-
Financial soundness indicators:						
- non-performing loans (% of total loans) ¹⁾	7.0	7.1	7.8	8.9	9.0	8.6
- capital adequacy ratio (%) ¹⁾	14.8	15.5	16.1	16.5	14.7	13.9
- return on equity (%) ¹⁾	19.8	17.9	18.7	18.4	14.6	18.1
Bank loans to the private sector (year-on-year % change)	2.9	3.0	3.5	-7.4	10.0	0.6
Lending for house purchase (year-on-year % change)	8.6	8.6	6.8	6.2	9.6	8.7
Loan to deposit ratio	103.8	94.5	89.8	73.7	66.4	63.0
Central Bank liquidity as % of liabilities	3.8	2.6	2.5	1.9	0.9	0.3
Private debt (% of GDP)	161.9	158.5	153.9	145.9	143.4	-
Gross external debt (% of GDP) ²⁾ - public	5.7	6.1	8.2	8.7	7.4	7.0
- private	650.9	698.0	707.9	719.1	726.2	722.5
Long-term interest rate spread versus Bund (basis points)*	144.4	188.1	263.1	179.3	144.8	99.2
Credit default swap spreads for sovereign securities (5-year)*	149.5	253.2	346.2	215.8	208.5	208.5

1) Latest data Q2 2015.

2) Latest data September 2015. Monetary authorities, monetary and financial institutions are not included.

* Measured in basis points.

Source: IMF (financial soundness indicators); European Commission (long-term interest rates); World Bank (gross external debt); Eurostat (private debt); ECB (all other indicators).

Table C.2: Labour market and social indicators

	2010	2011	2012	2013	2014	2015 ⁽⁴⁾
Employment rate (% of population aged 20-64)	60.1	61.6	63.1	64.8	66.4	67.8
Employment growth (% change from previous year)	1.7	3.0	2.5	3.7	5.0	2.5
Employment rate of women (% of female population aged 20-64)	41.6	43.8	46.6	49.8	52.0	53.7
Employment rate of men (% of male population aged 20-64)	78.2	79.0	79.2	79.4	80.4	81.4
Employment rate of older workers (% of population aged 55-64)	31.9	33.2	34.7	36.3	37.8	40.4
Part-time employment (% of total employment, aged 15 years and over)	12.4	13.4	14.1	15.2	16.6	15.7
Fixed term employment (% of employees with a fixed term contract, aged 15 years and over)	5.4	6.6	6.8	7.5	7.8	7.6
Transitions from temporary to permanent employment	10.0	67.2	2.2	25.4	10.6	-
Unemployment rate ⁽¹⁾ (% active population, age group 15-74)	6.9	6.4	6.3	6.4	5.8	5.5
Long-term unemployment rate ⁽²⁾ (% of labour force)	3.1	3.1	3.1	2.9	2.7	2.5
Youth unemployment rate (% active population aged 15-24)	13.2	13.3	14.1	13.0	11.7	12.1
Youth NEET ⁽³⁾ rate (% of population aged 15-24)	9.5	10.2	10.6	9.9	10.5	-
Early leavers from education and training (% of pop. aged 18-24 with at most lower sec. educ. and not in further education or training)	23.8	22.7	21.1	20.5	20.3	-
Tertiary educational attainment (% of population aged 30-34 having successfully completed tertiary education)	22.1	23.4	24.9	26.0	26.5	-
Formal childcare (30 hours or over; % of population aged less than 3 years)	3.0	4.0	1.0	3.0	-	-

1) Unemployed persons are all those who were not employed but had actively sought work and were ready to begin working immediately or within two weeks.

2) Long-term unemployed are peoples who have been unemployed for at least 12 months.

3) Not in Education Employment or Training.

4) Average of first three quarters of 2015. Data for total unemployment and youth unemployment rates are seasonally adjusted.

Source: European Commission (EU Labour Force Survey)

Table C.3: Labour market and social indicators (continued)

Expenditure on social protection benefits (% of GDP)	2009	2010	2011	2012	2013	2014
Sickness/healthcare	5.8	5.4	5.3	5.4	5.7	-
Invalidity	0.9	0.8	0.7	0.7	0.7	-
Old age and survivors	9.8	10.2	9.8	10.1	9.9	-
Family/children	1.2	1.2	1.2	1.1	1.2	-
Unemployment	0.6	0.5	0.5	0.5	0.6	-
Housing and social exclusion n.e.c.	0.2	0.2	0.2	0.1	0.1	-
Total	18.7	18.5	18.0	18.3	18.5	-
of which: means-tested benefits	2.5	2.5	2.5	2.4	2.4	-
Social inclusion indicators	2009	2010	2011	2012	2013	2014
People at risk of poverty or social exclusion ⁽¹⁾ (% of total population)	20.3	21.2	22.1	23.1	24.0	23.8
Children at risk of poverty or social exclusion (% of people aged 0-17)	26.5	26.7	27.8	31.0	32.0	31.3
At-risk-of-poverty rate ⁽²⁾ (% of total population)	14.9	15.5	15.6	15.1	15.7	15.9
Severe material deprivation rate ⁽³⁾ (% of total population)	5.0	6.5	6.6	9.2	9.5	10.2
Proportion of people living in low work intensity households ⁽⁴⁾ (% of people aged 0-59)	9.2	9.2	8.9	9.0	9.0	9.8
In-work at-risk-of-poverty rate (% of persons employed)	5.4	5.9	6.1	5.2	5.9	5.7
Impact of social transfers (excluding pensions) on reducing poverty	34.9	34.0	32.8	37.1	32.6	33.2
Poverty thresholds, expressed in national currency at constant prices ⁽⁵⁾	5979	5832	5949	6117	6260	6554
Gross disposable income (households; growth %)	-	-	-	-	-	-
Inequality of income distribution (S80/S20 income quintile share ratio)	4.0	4.3	4.0	3.9	4.1	4.0

1) People at risk of poverty or social exclusion (AROPE): individuals who are at risk of poverty (AROP) and/or suffering from severe material deprivation (SMD) and/or living in households with zero or very low work intensity (LWI).

2) At-risk-of-poverty rate (AROP): proportion of people with an equivalised disposable income below 60 % of the national equivalised median income.

3) Proportion of people who experience at least four of the following forms of deprivation: not being able to afford to i) pay their rent or utility bills, ii) keep their home adequately warm, iii) face unexpected expenses, iv) eat meat, fish or a protein equivalent every second day, v) enjoy a week of holiday away from home once a year, vi) have a car, vii) have a washing machine, viii) have a colour TV, or ix) have a telephone.

4) People living in households with very low work intensity: proportion of people aged 0-59 living in households where the adults (excluding dependent children) worked less than 20 % of their total work-time potential in the previous 12 months.

5) For EE, CY, MT, SI and SK, thresholds in nominal values in euros; harmonised index of consumer prices (HICP) = 100 in 2006 (2007 survey refers to 2006 incomes)

Source: For expenditure for social protection benefits ESSPROS; for social inclusion EU-SILC.

Table C.4: Structural policy and business environment indicators

Performance indicators	2009	2010	2011	2012	2013	2014
Labour productivity (real, per person employed, y-o-y)						
Labour productivity in industry	na	na	na	na	na	na
Labour productivity in construction	na	na	na	na	na	na
Labour productivity in market services	na	na	na	na	na	na
Unit labour costs (ULC) (whole economy, y-o-y)						
ULC in industry	na	na	na	na	na	na
ULC in construction	na	na	na	na	na	na
ULC in market services	na	na	na	na	na	na
Business environment	2009	2010	2011	2012	2013	2014
Time needed to enforce contracts ⁽¹⁾ (days)	na	na	na	505	505	505
Time needed to start a business ⁽¹⁾ (days)	na	na	na	38.5	38.5	38.5
Outcome of applications by SMEs for bank loans ⁽²⁾	0.59	na	0.69	na	0.68	0.58
Research and innovation	2009	2010	2011	2012	2013	2014
R&D intensity	0.52	0.64	0.69	0.86	0.85	0.85
Total public expenditure on education as % of GDP, for all levels of education combined	5.32	6.74	7.96	6.76	na	na
Number of science & technology people employed as % of total employment	33	33	36	37	38	37
Population having completed tertiary education ⁽³⁾	13	14	15	16	17	18
Young people with upper secondary level education ⁽⁴⁾	70	73	74	76	77	76
Trade balance of high technology products as % of GDP	-0.94	0.64	0.03	1.81	-1.10	-3.63
Product and service markets and competition				2003	2008	2013
OECD product market regulation (PMR) ⁽⁵⁾ , overall				na	na	1.57
OECD PMR ⁽⁵⁾ , retail				na	na	1.09
OECD PMR ⁽⁵⁾ , professional services				na	na	1.66
OECD PMR ⁽⁵⁾ , network industries ⁽⁶⁾				na	na	2.28

1) The methodologies, including the assumptions, for this indicator are shown in detail here: <http://www.doingbusiness.org/methodology>.

2) Average of the answer to question Q7B_a. "[Bank loan]: If you applied and tried to negotiate for this type of financing over the past six months, what was the outcome?". Answers were codified as follows: zero if received everything, one if received most of it, two if only received a limited part of it, three if refused or rejected and treated as missing values if the application is still pending or don't know.

3) Percentage population aged 15-64 having completed tertiary education.

4) Percentage population aged 20-24 having attained at least upper secondary education.

5) Index: 0 = not regulated; 6 = most regulated. The methodologies of the OECD product market regulation indicators are shown in detail here: <http://www.oecd.org/competition/reform/indicatorsofproductmarketregulationhomepage.htm>

6) Aggregate OECD indicators of regulation in energy, transport and communications (ETCR).

Source: European Commission; World Bank — Doing Business (for enforcing contracts and time to start a business); OECD (for the product market regulation indicators); SAFE (for outcome of SMEs' applications for bank loans).

Table C.5: **Green growth**

Green growth performance		2009	2010	2011	2012	2013	2014
Macroeconomic							
Energy intensity	kgoe / €	0.16	0.17	0.16	0.17	0.14	-
Carbon intensity	kg / €	0.55	0.53	0.53	0.53	0.46	-
Resource intensity (reciprocal of resource productivity)	kg / €	0.62	0.52	0.66	0.74	0.70	0.86
Waste intensity	kg / €	-	0.24	-	0.24	-	-
Energy balance of trade	% GDP	-0.1	1.1	-2.8	-12.1	-9.3	-15.8
Weighting of energy in HICP	%	6.48	6.28	6.65	7.31	7.57	8.05
Difference between energy price change and inflation	%	9.9	27.1	0.4	-2.0	-1.6	-17.0
Real unit of energy cost	% of value added	17.1	17.1	17.1	-	-	-
Ratio of labour taxes to environmental taxes	ratio	3.4	3.5	3.6	3.9	4.2	4.0
Environmental taxes	% GDP	3.2	2.9	3.0	2.8	2.7	2.9
Sectoral							
Industry energy intensity	kgoe / €	-	-	-	-	-	-
Real unit energy cost for manufacturing industry	% of value added	8.7	8.7	8.7	-	-	-
Share of energy-intensive industries in the economy	% GDP	-	-	-	-	-	-
Electricity prices for medium-sized industrial users	€ / kWh	0.14	0.18	0.18	0.18	0.18	0.18
Gas prices for medium-sized industrial users	€ / kWh	-	-	-	-	-	-
Public R&D for energy	% GDP	0.00	0.00	0.00	0.00	0.00	0.00
Public R&D for environment	% GDP	0.00	0.00	0.00	0.00	0.00	0.00
Municipal waste recycling rate	%	3.4	5.2	12.7	12.6	10.8	-
Share of GHG emissions covered by ETS*	%	63.4	62.7	63.8	65.4	60.9	60.7
Transport energy intensity	kgoe / €	-	-	-	-	-	-
Transport carbon intensity	kg / €	-	-	-	-	-	-
Security of energy supply							
Energy import dependency	%	99.9	99.0	101.3	101.0	104.1	-
Aggregated supplier concentration index	HHI	0.0	0.0	0.0	0.0	-	-
Diversification of energy mix	HHI	1.00	0.99	0.98	0.98	-	-

General explanation of the table items:

All macro intensity indicators are expressed as a ratio of a physical quantity to GDP (in 2005 prices)

Energy intensity: gross inland energy consumption (in kgoe) divided by GDP (in EUR)

Carbon intensity: greenhouse gas emissions (in kg CO₂ equivalents) divided by GDP (in EUR)

Resource intensity: domestic material consumption (in kg) divided by GDP (in EUR)

Waste intensity: waste (in kg) divided by GDP (in EUR)

Energy balance of trade: the balance of energy exports and imports, expressed as % of GDP

Weighting of energy in HICP: the proportion of "energy" items in the consumption basket used for the construction of the HICP. Difference between energy price change and inflation: energy component of HICP, and total HICP inflation (annual % change). Real unit energy cost: real energy costs as a percentage of total value added for the economy

Environmental taxes over labour taxes and GDP: from European Commission's database, 'Taxation trends in the European Union'

Industry energy intensity: final energy consumption of industry (in kgoe) divided by gross value added of industry (in 2005 EUR)

Real unit energy costs for manufacturing industry: real costs as a percentage of value added for manufacturing sectors

Share of energy-intensive industries in the economy: share of gross value added of the energy-intensive industries in GDP

Electricity and gas prices for medium-sized industrial users: consumption band 500–20 000 MWh and 10 000–100 000 GJ; figures excl. VAT.

Municipal waste recycling rate: ratio of recycled municipal waste to total municipal waste

Public R&D for energy or for the environment: government spending on R&D (GBAORD) for these categories as % of GDP

Proportion of greenhouse gas (GHG) emissions covered by EU Emission Trading System (ETS): based on greenhouse gas emissions (excl land use, land use change and forestry) as reported by Member States to the European Environment Agency)

Transport energy intensity: final energy consumption of transport activity (kgoe) divided by transport industry gross value added (in 2005 EUR)

Transport carbon intensity: greenhouse gas emissions in transport activity divided by gross value added of the transport sector

Energy import dependency: net energy imports divided by gross inland energy consumption incl. consumption of international bunker fuels

Aggregated supplier concentration index: covers oil, gas and coal. Smaller values indicate larger diversification and hence lower risk.

Diversification of the energy mix: Herfindahl index over natural gas, total petrol products, nuclear heat, renewable energies and solid fuels; * European Commission and European Environment Agency

Source: European Commission (Eurostat) unless indicated otherwise

27.681 interviews
07 > 17 / 11 / 2015

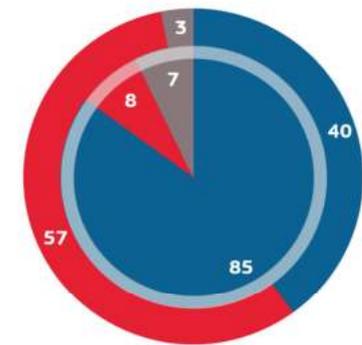
503 interviews
07 > 17 / 11 / 2015

Methodology: face-to-face

MALTA

1. LIFE IN THE EUROPEAN UNION

QA1a.1 How would you judge the current situation in each of the following?
The situation of the (NATIONALITY) economy (%)



EU28 Outer pie MT Inner pie

	EU28		MT	
	EB84 Aut.2015	EB83 Sp.2015	EB84 Aut.2015	EB83 Sp.2015
Total 'Good'	40	+ 2	85	+ 4
Total 'Bad'	57	- 2	8	- 2
Don't know	3	=	7	- 2

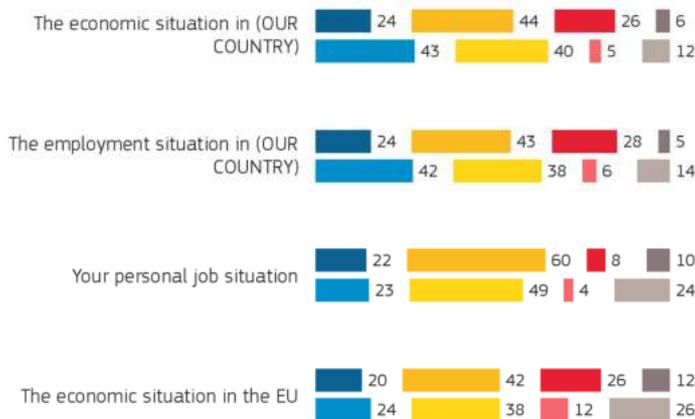
Evolution Autumn 2015 / Spring 2015

QA1a How would you judge the current situation in each of the following?
(%)



EU28 Total 'Good' Total 'Bad' Don't know
MT

QA2a What are your expectations for the next twelve months: will the next twelve months be better, worse or the same, when it comes to...?
(%)



EU28 Better Same Worse Don't know
MT

Evolution Autumn 2015 / Spring 2015

QA2a.2 What are your expectations for the next twelve months: will the next twelve months be better, worse or the same, when it comes to...?
The economic situation in (OUR COUNTRY) (%)

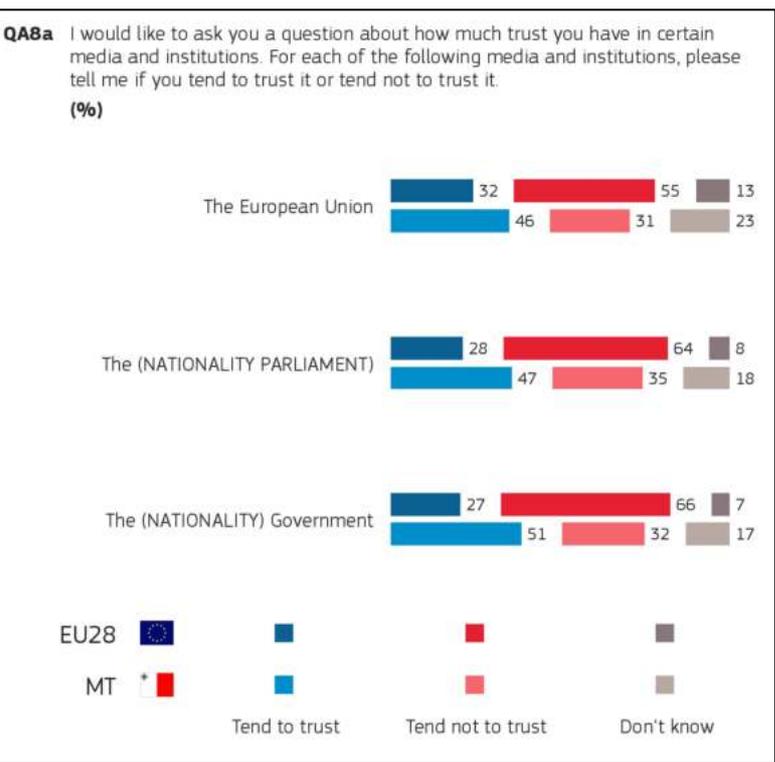
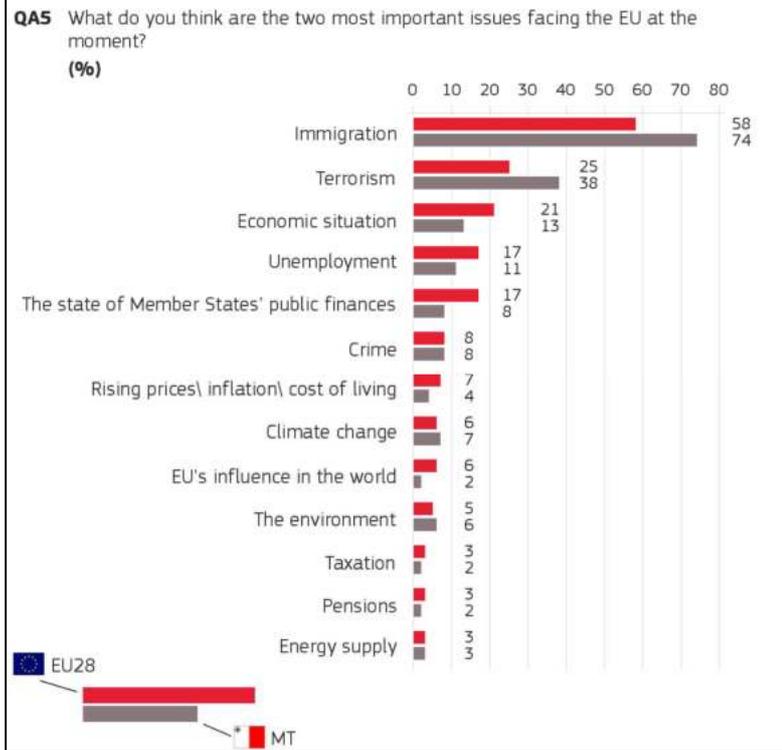
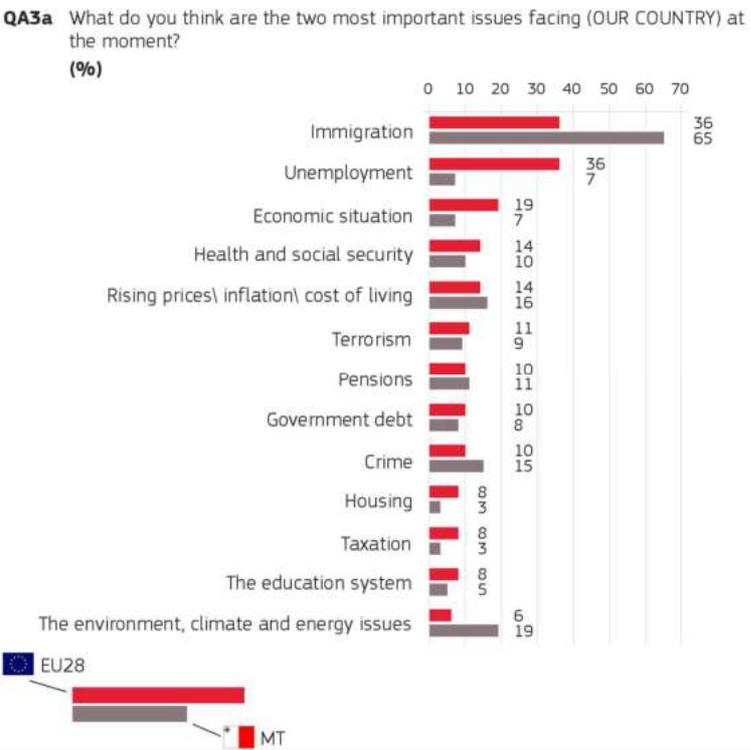
	EU28		MT	
	EB84	EB84-EB83	EB84	EB84-EB83
Better	24	- 2	43	+ 7
Same	44	- 4	40	- 5
Worse	26	+ 5	5	- 2
Don't know	6	+ 1	12	=

27.681 interviews
07 > 17 / 11 / 2015

503 interviews
07 > 17 / 11 / 2015

Methodology: face-to-face

1. LIFE IN THE EUROPEAN UNION



Evolution Autumn 2015 / Spring 2015

QA8a.10 I would like to ask you a question about how much trust you have in certain media and institutions. For each of the following media and institutions, please tell me if you tend to trust it or tend not to trust it.

The European Union (%)

	EU28 EB84	EU28 EB84-EB83	MT EB84	MT EB84-EB83
Tend to trust	32	- 8	46	- 16
Tend not to trust	55	+ 9	31	+ 8
Don't know	13	- 1	23	+ 8

27.681 interviews
07 > 17 / 11 / 2015

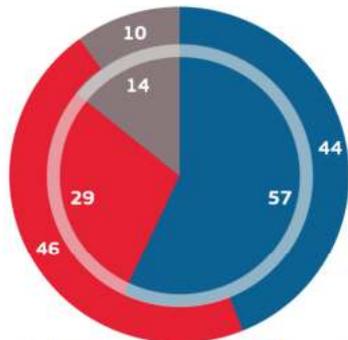
503 interviews
07 > 17 / 11 / 2015

Methodology: face-to-face

MALTA

1. LIFE IN THE EUROPEAN UNION

QC1 Some analysts say that the impact of the economic crisis on the job market has already reached its peak and things will recover little by little. Others, on the contrary, say that the worst is still to come. Which of the two statements is closer to your opinion?
(%)



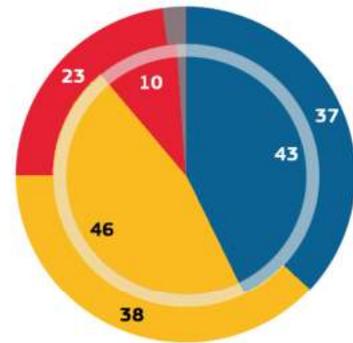
EU28 Outer pie MT Inner pie

EU28		MT	
EB84 Aut.2015	EB83 Sp.2015	EB84 Aut.2015	EB83 Sp.2015
44	- 4	57	- 2
46	+ 4	29	+ 2
10	=	14	=

- The impact of the crisis on jobs has already reached its peak
- The worst is still to come
- Don't know

Evolution Autumn 2015 / Spring 2015

QA9 In general, does the EU conjure up for you a very positive, fairly positive, neutral, fairly negative or very negative image?
(%)



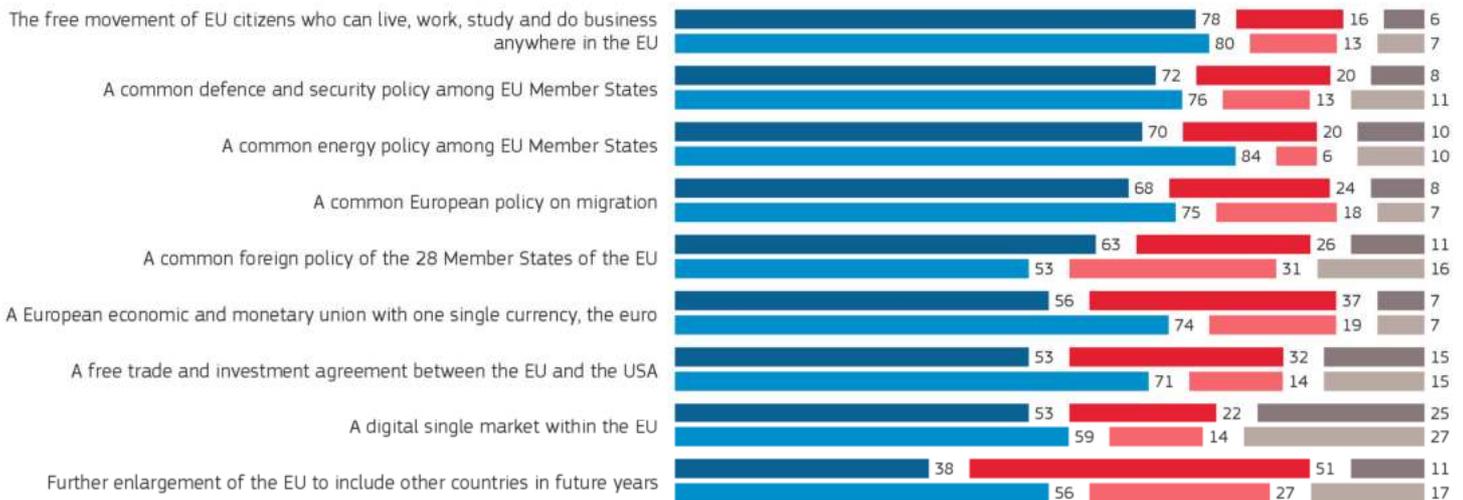
EU28 Outer pie MT Inner pie

EU28		MT	
EB84 Aut.2015	EB83 Sp.2015	EB84 Aut.2015	EB83 Sp.2015
37	- 4	43	- 8
38	=	46	+ 7
23	+ 4	10	+ 2
2	=	1	- 1

- Total 'Positive'
- Neutral
- Total 'Negative'
- Don't know

Evolution Autumn 2015 / Spring 2015

QA15 What is your opinion on each of the following statements? Please tell me for each statement, whether you are for it or against it.
(%)



EU28 For Against Don't know
MT For Against Don't know

27.681 interviews
07 > 17 / 11 / 2015

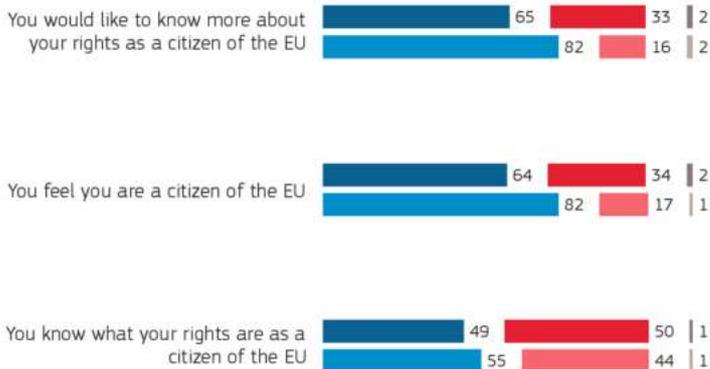
503 interviews
07 > 17 / 11 / 2015

Methodology: face-to-face

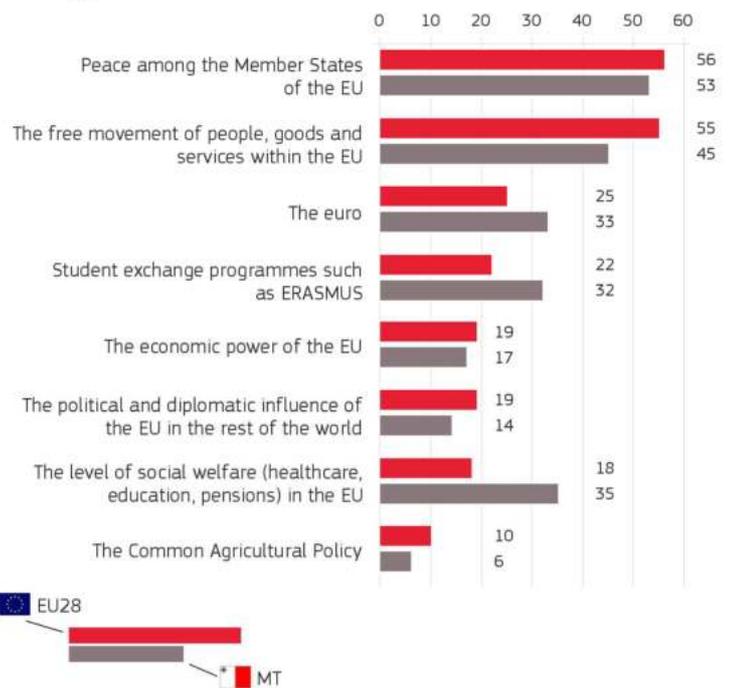
2. EUROPEAN UNION CITIZENSHIP

QD2 For each of the following statements, please tell me to what extent it corresponds or not to your own opinion.

(%)



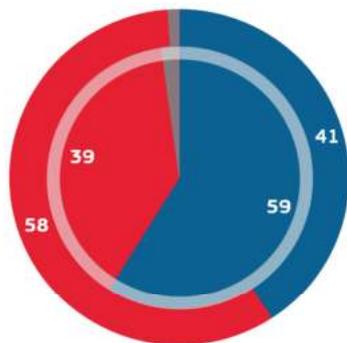
QD4T Which of the following do you think is the most positive result of the EU? (%)



3. INFORMATION ON EUROPEAN POLITICAL MATTERS

QE2 Overall, to what extent do you think that you are well informed or not about European matters? (%)

(%)



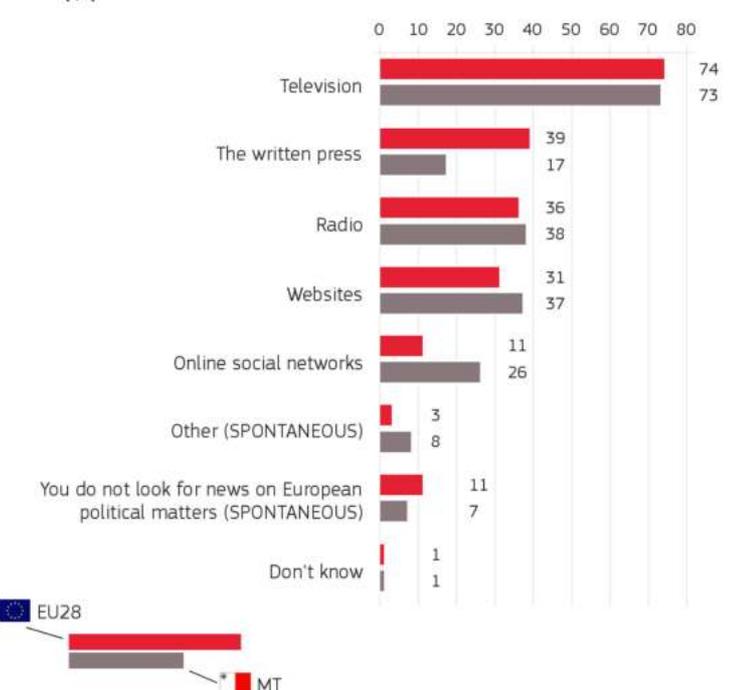
EU28 (Outer pie), MT (Inner pie)

	EU28		MT	
	EB84 Aut.2015	EB82 Aut.2014	EB84 Aut.2015	EB82 Aut.2014
Total 'Well informed'	41	+ 6	59	+ 16
Total 'Not well informed'	58	- 5	39	- 16
Don't know	1	- 1	2	=

Evolution Autumn 2015 / Autumn 2014

QE5T Where do you get most of your news on European political matters? (%)

(%)



VI. Visiting Valletta

11. Cultural Visit

- 11.1 Upper Barrakka Gardens
- 11.2 Siege Bell War Memorial
- 11.3 The Malta Experience
- 11.4 St John's Co-Cathedral
- 11.5 National War Museum
- 11.6 Casa Rocca Piccola

12. Practical Information

13. Maps

Cultural Visit

Upper Barrakka Gardens



The Upper Barrakka Gardens (Maltese: Il-Barrakka ta' Fuq) are a public garden in Valletta, Malta. They are twinned with the Lower Barrakka Gardens in the same city, and offers a panoramic view of the Grand Harbour.

The gardens are located on the upper tier of St. Peter & Paul Bastion, which was built in the 1560s. The bastion's lower tier contains the Saluting Battery. The garden's terraced arches were built in 1661 by the Italian knight Fra Flaminio Balbiani. They were originally roofed, but the ceiling was removed following the Rising of the Priests in 1775.

The gardens were originally used to offer recreation to the knights of the Italian langue of the Order of Saint John, but were opened to the public following the end of the French occupation of Malta in 1800.

In the park there are several monuments and memorials to a number of prominent people, including Gerald Strickland, Sir Thomas Maitland and Sir Winston Churchill. A replica of the statue Les Gavroches (The street boys) by the Maltese sculptor Antonio Sciortino is also located in the garden. The original is to be found within the National Museum of Fine Arts.[1]

It is the highest point of the city walls, and thus its bordering terrace offers a clear view over the Grand Harbour, the Three Cities, as well as over the shipyard and the lower-lying parts the capital.

The gardens are linked to Valletta's ditch and the nearby Lascaris Wharf by the Barrakka Lift. The first lift on the site was built in 1905, but was closed in 1973 and dismantled in 1983. The new lift was inaugurated on 15 December 2012

Address: Triq Sant' Orsla, Il-Belt Valletta, Malta

Hours:

Wednesday 7AM–10PM

Thursday 7AM–10PM

Friday 7AM–10PM

Saturday 7AM–10PM

Sunday 7AM–10PM

Monday 7AM–10PM

Tuesday 7AM–10PM

More info: <http://www.cityofvalletta.org/content.aspx?id=46667>

Siege Bell War Memorial



The Siege Bell War Memorial, Grand Harbour, Valletta, Malta. Inaugurated on May 29, 1992 by H.M. Queen Elizabeth II with these words “This impressive monument which we inaugurate today commemorates thousands of men, women and children, of Malta and other lands, beyond the sea, who died in their defence of these islands fifty years ago”.

The monument was designed by Michael Sandle, a prolific and important sculptor worldwide and assembled on the initiative of the George Cross Island Association to commemorate the 50th anniversary of the presentation of this award to Malta. The Valletta Rehabilitation Project, under the headship of its chief executive officer and coordinator Ray Bondin, was responsible for its construction.

The surrounding landscape is part of the Castille bastion underlying the Lower Barakka Gardens. The site was specifically chosen because it marks the furthestmost point of Valletta

within the Grand Harbour and is secluded to complement the meditating nature of the scope of the monument while the bell tolls solemnly in commemoration of the fallen heroes.

The design of the structure consists of a belfry in the form of an elliptical neo classical temple supported by 10, square-faced columns. The collonaded belfry contains a huge bourdon bell which is the largest bell in Malta.

The columns rise from a high base designed on the plan inspired from the form of the George Cross. Further from the belfry a bronze catafalque symbolising the burial of the corpse of the unknown soldier at sea, overhangs the bastion parapet. The inspiration of the monument is based on the Maria Gloriosa mediaeval bourdon bell of Erfurt Cathedral in Germany. The tolling bourdon bell was intended to build up a drone, its tone solemnly lamenting the demise of the bellic heroes across the waves of Grand Harbour.

Mepa scheduled the Siege Bell memorial as a Grade 2 national monument as per Government Notice number 522/12 in the Government Gazette dated May 8

More info: <http://www.timesofmalta.com/articles/view/20120630/environment/Siege-Bell-memorial.426560>

The Malta Experience



The Malta Experience is an audio-visual show that tells the dramatic story of the islands' 7000 year history. Educational, informative and entertaining, the show runs through the turbulent history of a small island nation that has overcome almost unimaginable odds to survive and prosper.

Situated in a purpose-built panoramic auditorium, the show chronicles Malta's unique history in just 45 minutes.

A must-see audio-visual treat, The Malta Experience will enrich your understanding of the islands, its people and the places you'll see on your visit. Through beautiful imagery and a gripping commentary, The Malta Experience, the island's premier audio-visual show has enthralled over 4 million visitors.

Prices:

Adults	Students with valid student's card	Children 5-12 years old	Children 0-4 years old
€15	€11.50	€6	Free

Show Times:

Weekdays: 11:00 - 12:00 - 13:00 - 14:00 - 15:00 - 16:00

Weekends: 11:00 - 12:00 - 13:00 - 14:00

Note: Between July and September there are no shows at 14:00 hrs on both Saturdays and Sundays. We are closed for Christmas Day, Easter Day & New Year's Day.

Website: <http://www.themaltaexperience.com/>

St John's Co-Cathedral



Saint John's Co-Cathedral is a Roman Catholic co-cathedral in Valletta, Malta, dedicated to Saint John the Baptist. It was built by the Order of St. John between 1572 and 1577, having been commissioned by Grand Master Jean de la Cassière as the Conventual Church of Saint John.

The church was designed by the Maltese architect Girolamo Cassar, who designed several of the more prominent buildings in Valletta. In the 17th century, its interior was redecorated in the Baroque style by Mattia Preti and other artists. The church is considered to be one of the finest examples of high Baroque architecture in Europe and one of the world's great cathedrals.

Opening Hours

Monday to Friday:

09:30 to 16:30 (ticket office closes at 16:00)

Saturday:

09:30 to 12:30 (ticket office closes at 12:00)

Closed on Sundays and public holidays.

Ecclesiastical Services

Sundays & Feast Days:

07:45

09:15

11:00

12:00 (October to June)

17:30 (winter)

18:00 (summer)

Saturdays:

08:30

17:30 (winter)

18:00 (summer)

Weekdays:

08:30

Prices:

The entrance fee includes the provision of handheld audio guides with 24 stops which are available to visitors in these languages (Maltese, English, Italian, French, German, Spanish, Japanese and Russian). All visitors can make use of the free guides.

Why we charge visitors to enter St John's:

The interest in St John's Co-Cathedral results in a high number of visitors but the delicate fabric of the church was not designed for so many visitors. The overhead and maintenance costs are very high. To help us sustain the building and conserve it with all its works of art we request an entrance fee. Conservation programmes are costly and are constantly being carried out to the highest specifications in order to preserve the Church in all its splendour. Our reward is your visit and appreciation.

We do not charge for prayer.

If your intention is to pray please inform the staff at the main entrance and you will be guided to the designated chapel.

- ▶ Adults: €10.00
- ▶ Seniors: €7.50
- ▶ Students: €7.50
- ▶ Children under 12: Free (when accompanied by an adult)
- ▶ Premium Content: €2.99

Website: <https://www.stjohnscocathedral.com/>

National War Museum



The National War Museum is located in Fort Saint Elmo in the city of Valletta, Malta. It is one of the most popular museums in Malta. From 1975 to 2014, its collection mainly focused on World War I and World War II. It was refurbished in 2015, and its collections now include exhibits ranging from the Bronze Age to 2004.

Perhaps the three most important artefacts on display are the Gloster Sea Gladiator N5520 FAITH, Roosevelt's Jeep 'Husky' and Malta's award for gallantry, the George Cross.

Address:

Fort St. Elmo, Valletta VLT1741

Opening Hours:

Monday–Sunday 09.00–18.00. (Last admission 17.30). Closed on 24, 25, 31 December, 1 January and Good Friday.

On Sundays, Fort St Elmo hosts the 'In Guardia' Parade. When the In Guardia is scheduled to take place, the museum opens at 12.00hrs (instead of at 09.00hrs).

Telephone: 21 233 088

Email: info@heritagemalta.com

Website: <http://heritagemalta.org/museums-sites/>

Casa Rocca Piccola



Casa Rocca Piccola remains the home of the noble Maltese de Piro family, and has hosted a notable lineage of noble tenants since its foundation in Valletta in the 16th century. Among the vast collection of rare and finely crafted furniture is a wooden chest believed to be the oldest extant example of Maltese furniture.

The Palace originally formed part of a palazzo constructed in 1580 for Don Pietro La Rocca, an Italian admiral of the Order of the Knights of St John, and its maze of rooms are a journey through privileged life on the island over the last 4 centuries. Among the diverse spaces to be seen are the Chapel, a Summer Dining Room with views over a secluded garden, the Library - and also some underground bomb shelters that became sadly necessary during WWII.

Prized among the variegated items and types of items in the Palace's rich collection are the silver surgical instruments that the Knights of St. John used in their precocious surgical techniques. Other enjoyable exhibits include a chess set from the period of the Knights, paintings by Mattia Preti and examples of Tal-Lira clocks, traditional and highly-decorated Maltese timepieces.

Address:

74 Republic Street, Valletta, Malta

Opening hours:

- Mon - Sat from 10am to 4pm.
- Guided tours take place on the hour.
- One tour at 12.00 on Sundays and Public Holidays.

Entrance Price:

€9 adults, €5 students, free for children under 14.

Telephone: +356 21221499

Email: enquiries@casaroccapiccola.com

Website: www.casaroccapiccola.com

Practical Information

1. How to reach the hotel from the airport

In order to go from the **International Airport of Malta** to the the **Grand Hotel Excelsior** it is possible to travel by taxi or by bus.

- **In the first case**, it will cost around 15 euros and it is possible to pick up one directly outside of the airport (more information in the following link: <https://www.maltairport.com/passenger/getting-here/taxi-service/>).
- **In the second case**, you will need to walk 3 minutes (250m) to reach Airport1, where you can pick up the bus X4 to Publiju (22 minutes and costs around 2 euros). After that, it is a 5 minutes' walk until the Grand Hotel Excelsior (more information is available in <https://www.publictransport.com.mt/>).

In order to go from the **International Airport of Malta** to the **Osborne Hotel** it is possible to travel by taxi or by bus.

- **In the first case**, it will cost around 17 euros and it is possible to pick up one directly outside of the airport (more information in the following link: <https://www.maltairport.com/passenger/getting-here/taxi-service/>).
- **In the second case**, you will need to walk 9 minutes (700m) to reach Cintra. Here you can take one of the following buses: 71, 72 or 73, and it will be a 19 minutes' long trip until Valletta 18. After that, you will need to walk for 7 minutes (500m) in order to reach the Osborne Hotel (more information available in the following link: <https://www.publictransport.com.mt/>).

2. Hotels:

The Grand Hotel Excelsior

Great Siege Road, Floriana,

Malta

Tel: 00356 2125 0520

Email: info@excelsior.com.mt

Website: <http://www.excelsior.com.mt/>

Osborne Hotel

50, South Street, Valletta, Malta

Tel: 00356 2124 3656

Email: info@osbornehotel.com

Website: <http://www.osbornehotel.com/>

3. Transports:

Airport:

Malta International Airport is located 5 km (3.1 mi) southwest of the Maltese capital Valletta.

The airport serves as the main hub for Air Malta and a base for Ryanair

(<https://www.maltairport.com/>).

Public Transports:

Malta International Airport is served also by several buses operated by private transportation groups and public transport operated by Malta Public Transport.

A list of routes and timetables can be found on the website

(<https://www.publictransport.com.mt/>).

4. Telephone:

Malta international country code: +356

5. List of useful contacts:

FMA Secretariat

Office JAN 2 Q 73

European Parliament

B-1047 Brussels

Tel: +322 2840703 Fax: +332 2840989

Email: formermembers@europarl.europa.eu

Elisabetta FONCK

Mobile phone: +32 473 646746

Embassies and Consulates in Malta:

- **Spanish Embassy in Malta:**
Whitehall Mansions, Ta' Xbiex
Seafront, Ta' Xbiex, Malta
+356 2131 7365
- **British High Commission**
Whitehall Mansions, Ta' Xbiex
Seafront, Ta' Xbiex, Malta
+356 2323 0000
- **Italian Embassy in Malta:**
5, Vilhena Street, Floriana,
Malta
+356 2123 3157
- **French Embassy in Malta:**
130, Melita Street, Valletta,
Malta
+356 2248 0600
- **Dutch Embassy in Malta:**
Whitehall Mansions, 3rd Floor,
Ta' Xbiex Seafront, Ta' Xbiex,
Malta
+356 2131 3980
- **Consulate of Luxembourg in Malta :**
90, Palazzo Pietro Stiges,
Strait Street, Valletta, Malta
+356 2138 3849
- **German Embassy in Malta:**
Il-Piazzetta, Flat 45, Tower
Road, Sliema, Malta
+356 2132 0963

6. Climate in Valletta:

The climate here is mild, and generally warm and temperate. The rain in Valletta falls mostly in the winter, with relatively little rain in the summer. The Köppen-Geiger climate classification is Csa. The temperature here averages 18.7 °C. The rainfall here averages 525 mm.

7. Electric power supply:

Voltage: 220 V -240 V

Frequency: 50 Hz

Power sockets: type G

8. Languages:

Malta has two official languages: Maltese and English. Maltese is also the national language. Until 1934, Italian was also an official language in Malta.

Having been governed by many different countries in the past, the Maltese population carry linguistic imprints from many places. According to the Eurobarometer poll, 98% of Maltese people can speak Maltese, 88% can speak English, 66% can speak Italian, and more than 17% speak French.

9. Local Time:

The time changes for Valletta over the year. Valletta observes CET (GMT +1 hour) between 1 Jan 2017 and 26 Mar 2017, observes CEST (GMT+ 2 hours) between 26 Mar 2017 and 29 Oct 2017, and observes CET between 29 Oct 2017 and 31 Dec 2017.

10. Money:

Malta uses the euro as its official currency. International bankcards such as Visa, American Express, Diner's Club and Mastercard are accepted as are foreign currencies which can easily be exchanged at exchange bureaux. Banks as well as Automated Teller Machines (ATM) and exchange bureaux can be found all over the islands while the majority of shops and restaurants

do accept payment in some international currencies. However, almost all retail and restaurant outlets accept international credit cards.

11. Emergency Numbers:

The number for all emergency services in Malta (ambulance, fire and police) is 112.

12. Smoking in Malta:

The Tobacco Control Act and Legal Notice 414 of stipulates that smoking is banned in any enclosed private or public premises which are open to the public except in designated smoking room. This means that smoking is not allowed indoors in public places, including bars and pubs, cafés and restaurants, public transport, cinemas, theatres, hospitals, and schools except in designated smoking room. However, many establishments offer an outside seating option for smokers, with some of these being equipped with heaters for the cooler months. Smoking is also prohibited in the common areas in hotels. Some hotels may have a smokers' lounge but this is not obligatory and is at the discretion of the hotel's management.

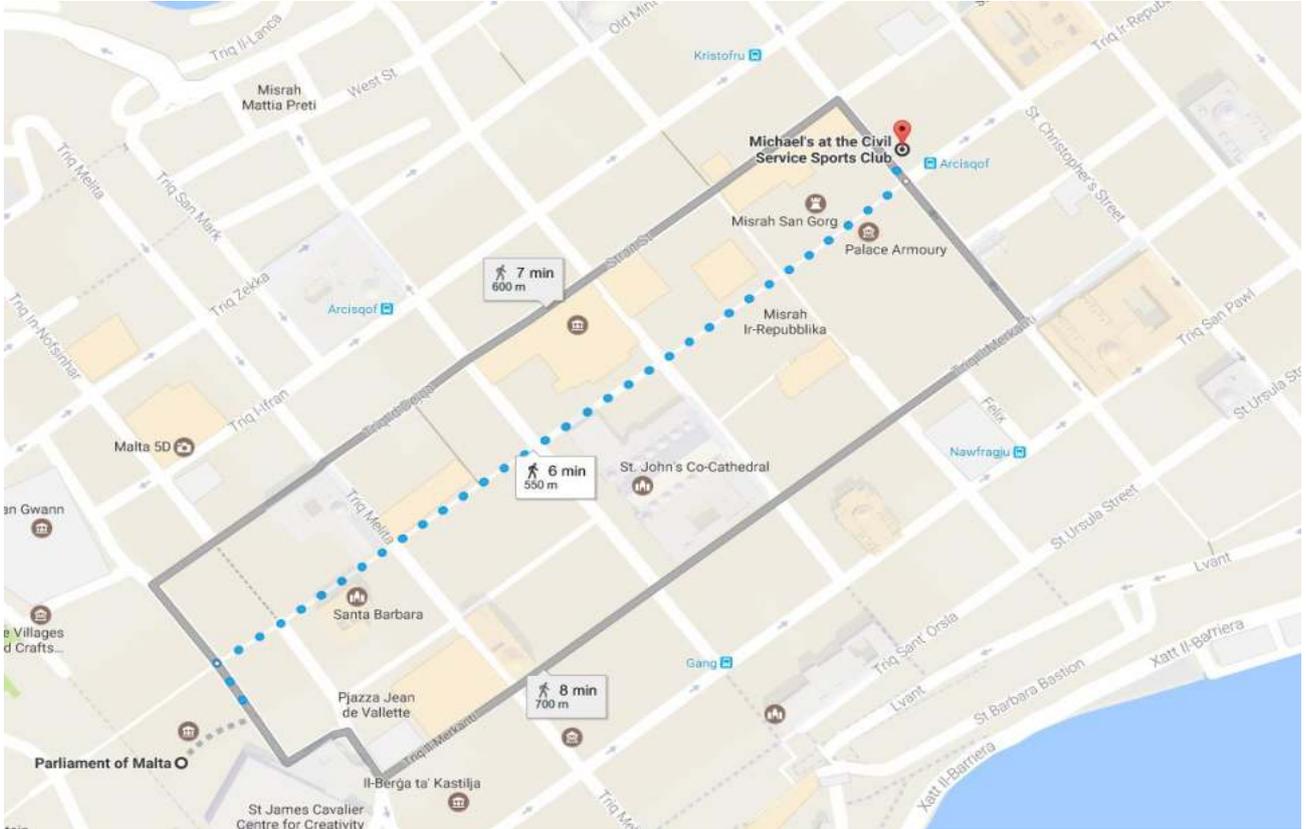
13. Tips:

At restaurants in Malta, it is customary to tip between 5% - 10%. However, if a service charge is already included, then a tip is not necessary. If you are unsure of how much to tip, the best option is to check the individual establishment's policy. If you are extremely satisfied with the service you received, you can always tip extra at your discretion.

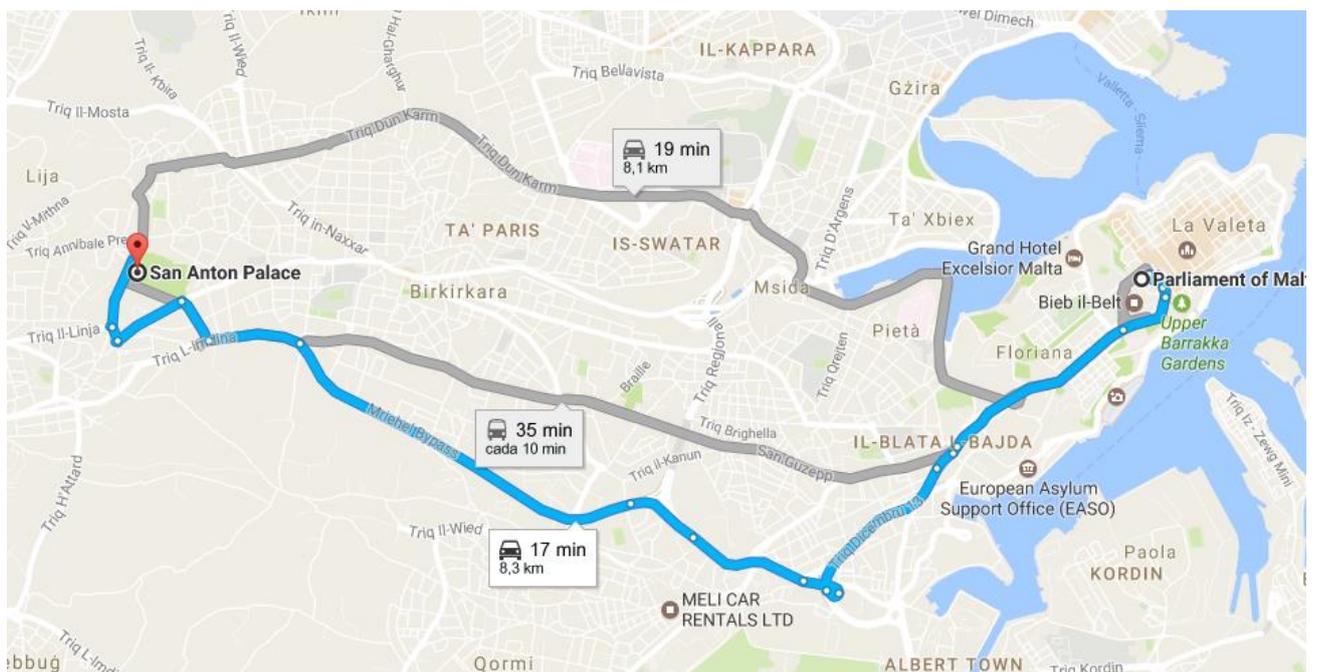
Maps:

Monday, 3 April 2017

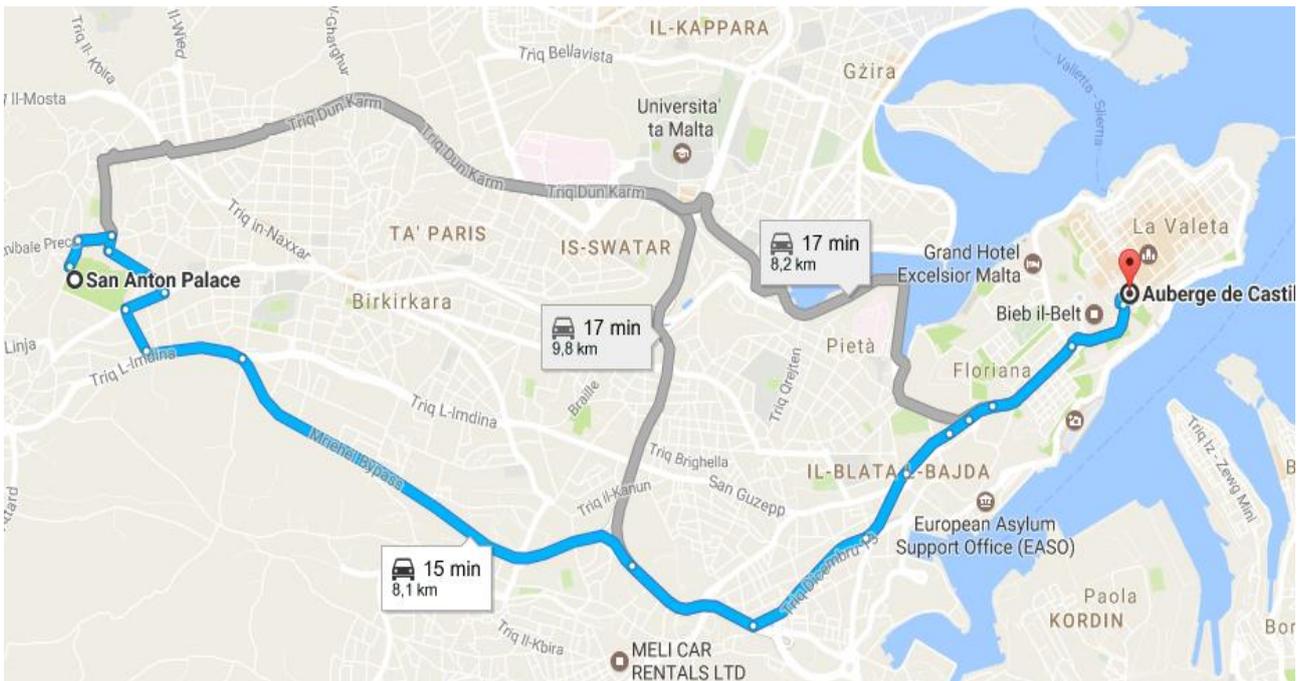
Parliament Building ==> *Michael's Restaurant*. Lunch hosted by the Speaker of the House of Representatives, Parliament of Malta



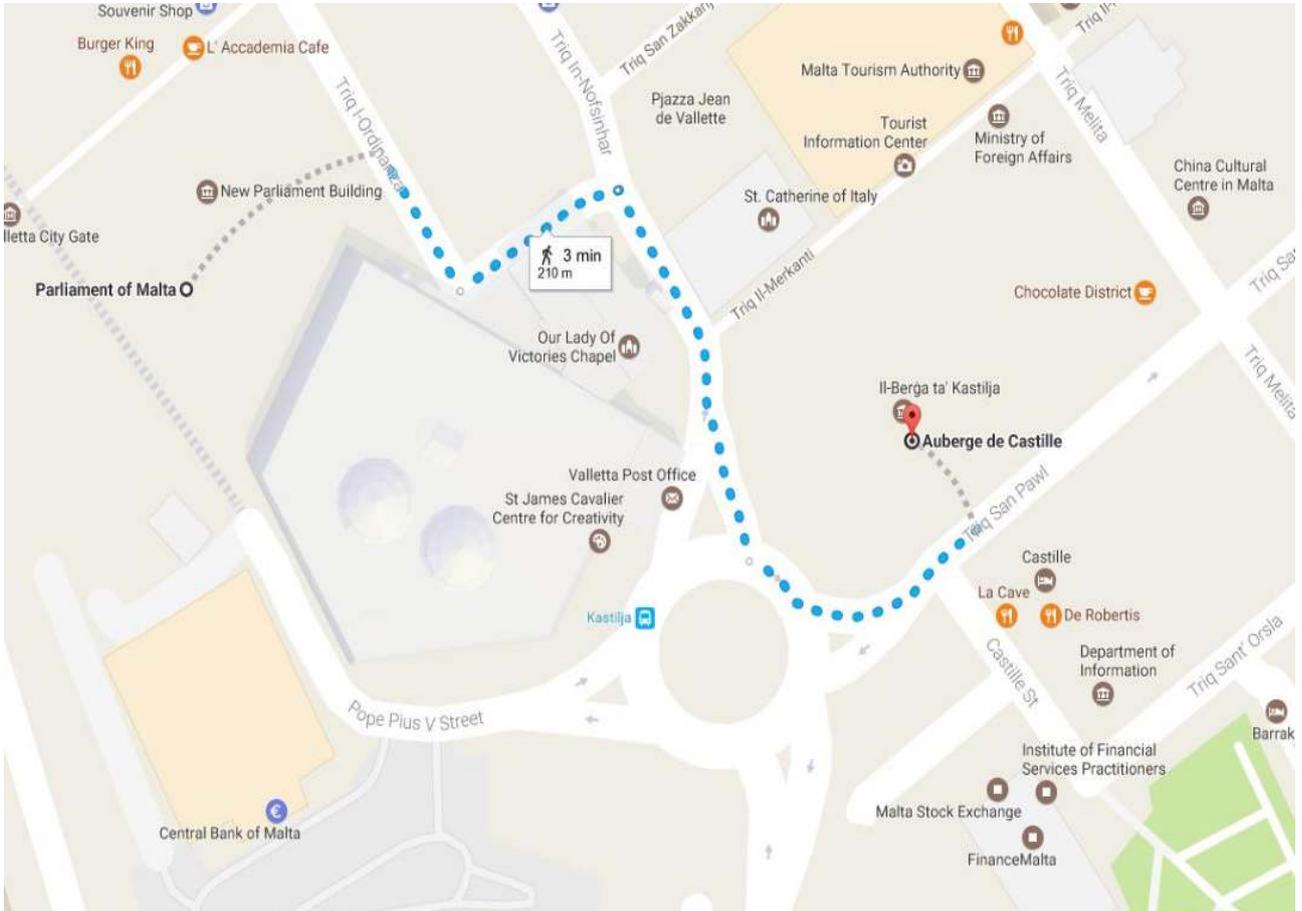
Parliament Building ==> *San Anton Palace*. Meeting with H.E. the President of Malta, Ms Marie Louise Coleiro Preca



San Anton Palace ==> Auberge de Castille. **Meeting with the Hon Prime Minister, Mr Joseph Muscat**

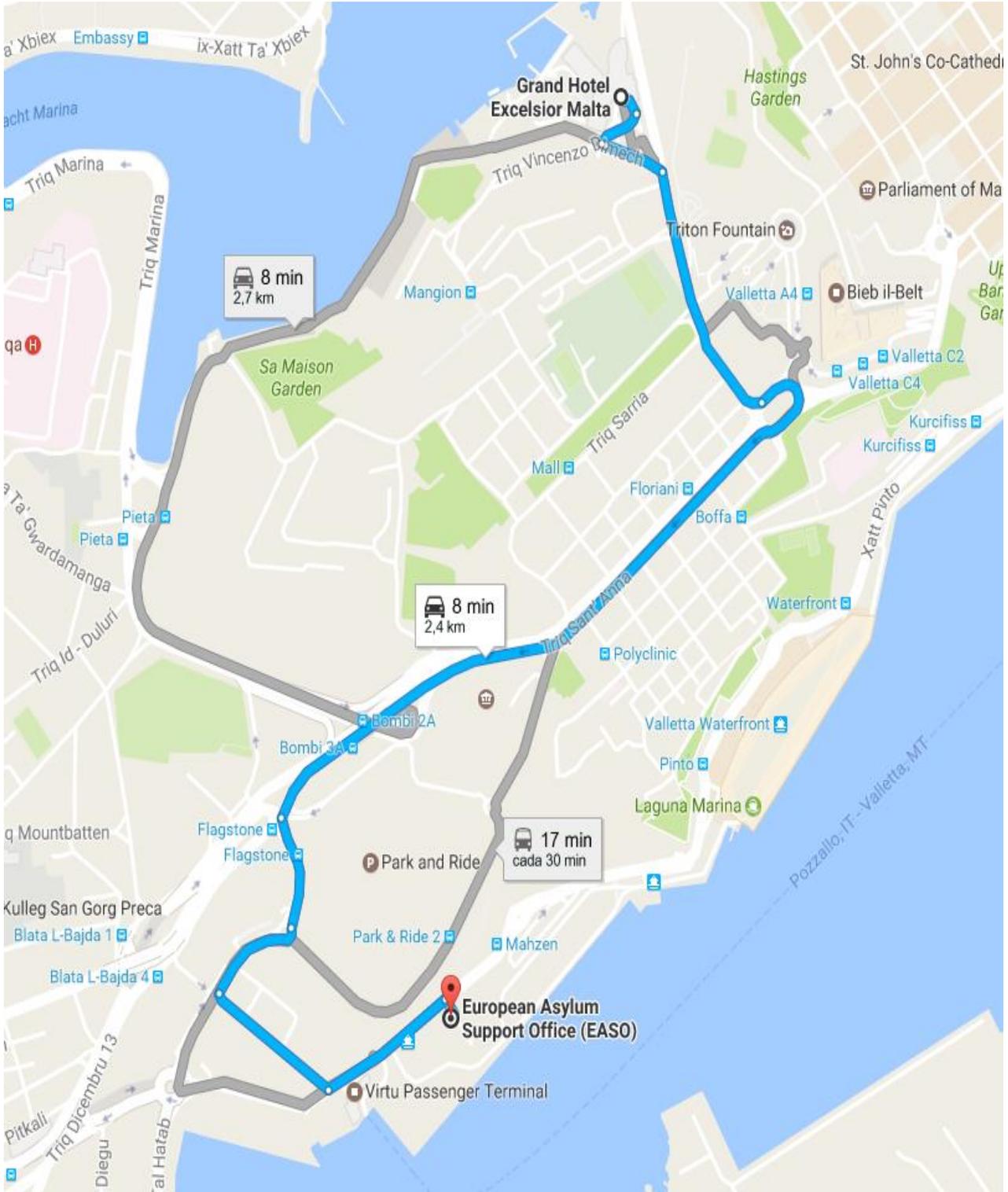


Auberge de Castille==> Parliament Building. **Meeting with the Foreign and European Affairs Committee**



Tuesday, 4 April 2017

Hotel Excelsior==> EASO



EASO ==> Airport, by public transport: 30 min approx

750 m (11 min approx) by foot and then take the bus X4 to the airport

